

COMPANY REGISTRATION NUMBER: 02998217

**HIGHWAY INSURANCE GROUP LIMITED**

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**REPORT AND  
FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED 31 DECEMBER 2017**



## **C O N T E N T S**

	<b>Page</b>
Directors, officers and registered office	<b>3</b>
Strategic report	<b>4</b>
Directors' report	<b>5</b>
Independent auditors' report	<b>7</b>
Statement of comprehensive income	<b>10</b>
Statement of changes in equity	<b>11</b>
Statement of financial position	<b>12</b>
Statement of cash flows	<b>13</b>
Notes to the financial statements	<b>14</b>

## **HIGHWAY INSURANCE GROUP LIMITED**

### **DIRECTORS, OFFICERS AND REGISTERED OFFICE**

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#### **Directors**

A Parsons	Appointed 30 June 2017	Resigned 28 December 2017
P W Moore		Resigned 29 June 2017
K O'Keeffe		Resigned 28 December 2017
J Dye	Appointed 28 December 2017	
S Treloar		
R Rowney		

#### **Company secretary**

R S Small

#### **Registered office**

County Gates  
Bournemouth  
BH1 2NF

Tel: 01202 292333  
Fax: 01202 751825

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
3 Forbury Place  
23 Forbury Road  
Reading  
RG1 3JH

## STRATEGIC REPORT

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The Directors submit their annual report and the financial statements of Highway Insurance Group Limited (the 'Company') for the year to 31 December 2017.

### 1. Results and dividends

The profit for the financial year was £74,600,000 (2016: £3,000) as set out on page 10. The Directors have declared and paid £42,808,000 in the current year to the parent company as dividends (2016: £nil). No final dividends were proposed or paid (2016: £nil). See note 16 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 £263,574,000 (2016: £231,782,000).

### 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:

*"To transform from a top-five UK car insurer to a top-five general insurer. The Group intends to achieve this through customer centricity, maintaining its customer satisfaction and retention rates and growth through outperforming in the personal lines market. The Group aims to deliver attractive and consistent returns to its shareholders."*

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.

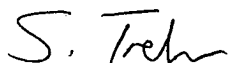
#### (c) Key performance indicators

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

There have been no events affecting the Company since the statement of financial position date.

On behalf of the Board of Directors



S Treloar  
Director

28 March 2018

## **DIRECTORS' REPORT**

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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 Liverpool Victoria Insurance Company Limited ('LVIC'). The ultimate parent company is Liverpool Victoria Friendly Society Limited ('LVFS'), a friendly society incorporated under the Friendly Societies Act 1992.

### **3. Employees**

The Company did not directly employ any staff, instead it utilised the staff and premises of LVFS in carrying out its activities in 2017.

### **4. Directors' indemnity statement**

The Directors have 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 throughout the last financial year and is currently in force. LVFS 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.

### **5. 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**

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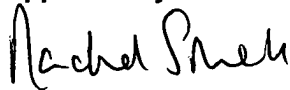
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

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

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

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

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



R S Small  
Company Secretary

28 March 2018

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

**Report on the audit of the financial statements**

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**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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity 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 when:

- 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.

**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.

## HIGHWAY INSURANCE GROUP LIMITED

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

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 2017 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 5 and 6, 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](http://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.

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#### **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



## HIGHWAY INSURANCE GROUP LIMITED

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

- 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 2016, forming the corresponding figures of the financial statements for the year ended 31 December 2017, are unaudited.



Adam Beasant (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
28 March 2018

**HIGHWAY INSURANCE GROUP LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017	Unaudited 2016
	Note	£000	£000
Investment income	3	74,600	-
Other income	4	2	3
<b>Total income</b>		<b>74,602</b>	<b>3</b>
<b>Profit before tax</b>		<b>74,602</b>	<b>3</b>
Income tax (expense)/credit	7	(2)	-
<b>Profit for the financial year</b>		<b>74,600</b>	<b>3</b>
<b>Total comprehensive income for the year</b>		<b>74,600</b>	<b>3</b>

The notes on pages 14 to 24 are an integral part of the financial statements.

# HIGHWAY INSURANCE GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Attributable to equity holders of the Company						
		Share capital	Share premium	Capital reserve	Retained earnings	Total equity
	Note	£000	£000	£000	£000	£000
Balance at 1 January 2017		41,756	20,471	144,000	25,555	231,782
Dividends	16			(42,808)	-	(42,808)
Profit for the financial year	17	-	-	-	74,600	74,600
<b>Balance at 31 December 2017</b>		<b>41,756</b>	<b>20,471</b>	<b>101,192</b>	<b>100,155</b>	<b>263,574</b>

Attributable to equity holders of the Company						
Unaudited		Share capital	Share premium	Capital reserve	Retained earnings	Total equity
	Note	£000	£000	£000	£000	£000
Balance at 1 January 2016		41,756	20,471	144,000	25,552	231,779
Profit for the financial year	17	-	-	-	3	3
<b>Balance at 31 December 2016</b>		<b>41,756</b>	<b>20,471</b>	<b>144,000</b>	<b>25,555</b>	<b>231,782</b>

The notes on pages 14 to 24 are an integral part of the financial statements.

# HIGHWAY INSURANCE GROUP LIMITED

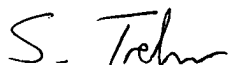
## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		2017	Unaudited 2016
	Note	£000	£000
<b>Assets</b>			
Investments in Group undertakings	8	263,510	263,510
Deferred tax asset	9	2	4
Current tax asset	10	-	1
Loans and other receivables	11	1	-
Cash and cash equivalents	12	61	59
<b>Total assets</b>		<b>263,574</b>	<b>263,574</b>
<b>Liabilities</b>			
Trade and other payables	13	-	31,792
<b>Total liabilities</b>		<b>-</b>	<b>31,792</b>
<b>Equity</b>			
Share capital	14	41,756	41,756
Share premium	15	20,471	20,471
Capital reserve	16	101,192	144,000
Retained earnings	17	100,155	25,555
<b>Total equity</b>		<b>263,574</b>	<b>231,782</b>
<b>Total liabilities and equity</b>		<b>263,574</b>	<b>263,574</b>

The notes on pages 14 to 24 are an integral part of the financial statements.

These financial statements on pages 10 to 13 were approved by the Board of Directors on 28 March 2018.

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 2017**

		2017	Unaudited 2016
	Note	£000	£000
<b>Cash and cash equivalents at 1 January</b>	12	<b>59</b>	<b>57</b>
<b>Cash flows arising from:</b>			
<b>Operating activities</b>			
Cash (used in) / generated from operating activities	18	(31,788)	2
Dividend income received	3	74,600	-
Income tax paid	9	(2)	-
<b>Net cash flows generated from operating activities</b>		<b>42,810</b>	<b>2</b>
<b>Financing activities</b>			
Dividends paid	16	(42,808)	-
<b>Net cash flows used in financing activities</b>		<b>(42,808)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>2</b>	<b>2</b>
<b>Cash and cash equivalents at 31 December</b>	12	<b>61</b>	<b>59</b>

The notes on pages 14 to 24 are an integral part of the financial statements.

## **HIGHWAY INSURANCE GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **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 the 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, as modified by the revaluation of financial assets and liabilities at fair value through income. 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 Highway Insurance Company Limited (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 2018 – 22 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.

**2. Accounting policies (continued)**

**Impairment of assets**

The Company assesses at each Statement of Financial Position whether there is objective evidence that a financial asset or group of financial assets not held at fair value through income is impaired. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following events:

- (i) Significant financial difficulty of the issuer or debtor;
- (ii) It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- (iii) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
  - adverse changes in the payment status of issuers or debtors in the Group; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

The Company first assesses whether objective evidence of impairment exists for individually significant financial assets and if no such individual impairment exists it collectively considers impairments of groups of assets with similar credit risks.

If there is objective evidence that an impairment loss has been incurred, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income for the period.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income for the period.

**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 2017**

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#### **2. Accounting policies (continued)**

##### **Income taxes**

The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses.

##### **Income tax expense**

Income tax expense recorded in the Statement of Comprehensive Income 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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position 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 Liverpool Victoria Friendly Society Limited.

##### **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.

**CHANGES IN ACCOUNTING POLICIES**

**(i) New and amended standards adopted by the Company**

Although no new standards have come into effect, amendments to IFRSs have been adopted by the EU for accounting periods beginning on or after 1 January 2017. These amendments have been adopted by the Company but do not have a material impact on the 2017 financial statements.

IAS 12 'Income taxes' has been amended to clarify the treatment of deferred tax associated with unrealised gains and losses on financial instruments and also addresses the recoverability of deferred tax where this relates to an asset with a fair value below its tax base. Recognition of deferred tax has been assessed and there is no impact of this clarification.

Other than as set out above, no new or amended accounting standards and interpretations were adopted for the 2017 financial year.

**(ii) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income without recycling. There is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018.

The Company has no financial instruments at 31 December 2017 and does not expect to have material balances in the future.

**HIGHWAY INSURANCE GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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.

**HIGHWAY INSURANCE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>3. Investment income</b>	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Dividend income	<b>74,600</b>	-
	<b>74,600</b>	-
<b>4. Other income</b>	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Other income	<b>2</b>	<b>3</b>
	<b>2</b>	<b>3</b>
<b>5. Auditors' remuneration</b>	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Audit of the Company	<b>7</b>	-
	<b>7</b>	-

Liverpool Victoria Friendly Society (LVFS), the parent Society, is responsible for the management and administration of the Company. The audit remuneration, in respect of services to the Company, is borne by LVFS.

**6. Directors' emoluments**

The emoluments of the directors are paid by the ultimate parent company which makes no recharge to the Company. The directors are also directors of Liverpool Victoria Friendly Society Limited (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 Liverpool Victoria Friendly Society Limited.

# HIGHWAY INSURANCE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 7. Income tax expense

#### a) Current year tax expense

	2017 £000	Unaudited 2016 £000
Corporation tax	-	(1)
<b>Total current tax</b>	-	(1)
<b>Deferred tax:</b>		
Deferred tax charge	(2)	1
<b>Total deferred tax</b>	(2)	1
<b>Total income tax expense</b>	(2)	-

#### b) Reconciliation of tax charge for year

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	Unaudited 2016 £000
Profit before tax	74,602	3
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	14,361	1
<b>Effects of:</b>		
Non-taxable income	(14,361)	(1)
Non-taxable income relating to intergroup balances	(2)	-
<b>Total income tax expense for the year</b>	(2)	-

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the profits for this accounting period are taxed at an effective rate of 19.25%.

### 8. Investments in Group undertakings

	2017 £000	Unaudited 2016 £000
At 1 January	263,510	263,510
<b>At 31 December</b>	<b>263,510</b>	<b>263,510</b>

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
Highway Group Services Limited	England	100% directly held	Ordinary shares	Dormant

All subsidiaries are at the registered address: County Gates, Bournemouth, BH1 2NF.

# HIGHWAY INSURANCE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

<b>9. Deferred tax asset</b>	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At 1 January	4	4
Current year charge	(2)	-
<b>At 31 December</b>	<b>2</b>	<b>4</b>

Analysis of deferred taxation temporary differences	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Advanced capital allowances	2	2
	2	2

Analysis of the deferred tax balance	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Deferred tax asset expected to be recovered after more than 12 months	2	2
<b>Net deferred tax asset</b>	<b>2</b>	<b>2</b>

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 31st December 2017.

The Finance (No.2 Act) 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017. Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

<b>10. Current tax asset</b>	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At 1 January	1	1
Group relief	(1)	-
<b>At 31 December</b>	<b>-</b>	<b>1</b>

<b>11. Loans and other receivables</b>	Unaudited	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Other receivables	1	-
	1	-

## **12. Cash and cash equivalents**

Cash and cash equivalents are fully represented by cash at bank and in hand of £61,000 (2016: £59,000).

# HIGHWAY INSURANCE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. Trade and other payables	Unaudited	
	2017 £000	2016 £000
Amounts owed to Group undertakings	-	31,792
	-	31,792

All trade and other payables are due within one year. All trade and other payables are held at amortised cost.

14. Share capital	Unaudited	
	2017 £000	2016 £000
<b>Ordinary shares, allotted and fully paid:</b>		
208,780,674 (2016: 208,780,674) ordinary shares of £0.20 each	41,756	41,756
All authorised shares have been issued.		

15. Share premium	Unaudited	
	2017 £000	2016 £000
Balance at 1 January	20,471	20,471
Balance at 31 December	20,471	20,471

16. Capital reserve	Unaudited	
	2017 £000	2016 £000
Balance at 1 January	144,000	144,000
Dividends paid	(42,808)	-
Balance at 31 December	101,192	144,000

The Company paid the following interim dividends to LVIC

	Unaudited	
	2017 £000	2016 £000
Dividends paid	42,808	-
Total dividends paid for the year	42,808	-

The following dividends were declared and paid in the year:  
£42.8m was remitted to the parent company LVIC (20.51p per share).

These capital reserve is distributable in future years, subject to the provisions of the Companies Act 2006.

17. Retained earnings	Unaudited	
	2017 £000	2016 £000
Balance at 1 January	25,555	25,552
Profit for the year	74,600	3
Balance at 31 December	100,155	25,555

# HIGHWAY INSURANCE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. Cash (used in)/generated from operating activities	Unaudited	
	2017 £000	2016 £000
<b>Profit before tax</b>	<b>74,602</b>	<b>3</b>
Investment income	(74,600)	-
<b>Changes in working capital</b>		
Increase in loans and other receivables	2	-
Decrease in trade and other payables	(31,792)	(1)
<b>Cash (used in)/generated from operating activities</b>	<b>(31,788)</b>	<b>2</b>

### 19. Related party transactions

The Company did not enter into any transactions with its key management personnel. Details of significant transactions carried out during the year with related parties are as follows:

	Unaudited	
	2017 £000	2016 £000
Payable by the Company to LVIC	-	31,794

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

	Unaudited	
	2017 £000	2016 £000
Dividends receivable from HICO	74,600	-
	<b>74,600</b>	<b>-</b>

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

	Unaudited	
	2017 £000	2016 £000
Dividends payable to LVIC	(42,808)	-
	<b>(42,808)</b>	<b>-</b>

## **HIGHWAY INSURANCE GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **20. Ultimate parent company**

The ultimate parent and controlling party is Liverpool Victoria Friendly Society Limited, a UK friendly society incorporated under the Friendly Societies Act 1992.

The immediate parent company is Liverpool Victoria Insurance Company Limited, a limited liability company, incorporated in the UK.

Both the ultimate and immediate parent companies are registered at the below address.

The largest company whose financial statements this company is consolidated into is Liverpool Victoria Friendly Society Limited. The smallest company whose financial statements this Company is consolidated into is LVGIG. LVGIG is a 51% owned subsidiary of LV Capital plc (2016: 100%). During the year LV Capital plc sold a 49% stake in LVGIG to Allianz Holdings plc.

The consolidated accounts of Liverpool Victoria Friendly Society Limited are available to the public and may be obtained from:

The Company Secretary  
County Gates  
Bournemouth  
BH1 2NF

or at [www.lv.com/about-us/company-information/returns/reports-accounts](http://www.lv.com/about-us/company-information/returns/reports-accounts)