

COMPANY REGISTRATION NO: 5636081

LV INSURANCE MANAGEMENT LIMITED

**REPORT AND
ACCOUNTS**

FOR THE YEAR ENDED 31 DECEMBER 2008

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LV INSURANCE MANAGEMENT LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

K W Abercromby
P M Bunker
S V Castle
S M Daniels
J B O'Roarke
M J Rogers

Secretary

P B Cassidy

Registered office

County Gates
Bournemouth
BH1 2NF
Telephone: 01202 292333
Fax: 01202 751825

Auditors

PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors
Hay's Galleria
1 Hays Lane
London
SE1 2RD

LV INSURANCE MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors submit their first report and the audited accounts for the year from incorporation to 31 December 2008.

1. Results and dividends

The loss on ordinary activities for the year after taxation was £6,471,000 (2007: £1,301,000 profit). The Directors did not approve any dividends in the year.

2. Business review

(a) Principal activities and review of the business

The Company's principal activity is the provision of management services to other companies within the Liverpool Victoria General Insurance Group Limited group.

The Board sets key performance indicators (KPI) and targets, which it monitors on a regular basis throughout the year. These KPI change from time to time as objectives and priorities change. During 2008, the KPI were focused on turnover and cost of sales which have increased in direct proportion to the significant growth in business activity experienced in Liverpool Victoria Insurance Company (LVIC). LVIC is the general insurance underwriting entity in the group.

(b) Principal risks and uncertainties

Given the nature of the operations the directors do not consider there are any significant risks and uncertainties facing the company.

3. Directors

The present members of the Board and the members who served during the year are listed on page 2.

4. Basis of preparation

The accounts for the Company are presented using International Financial Reporting Standards as adopted in the European Union, drawn on a going concern basis. This is the first time that the accounts have been so presented and more detail on the change from UK Generally Accepted Accounting Principles previously adopted is given in note 21. The Directors are satisfied that the Company has adequate resources to continue business for the foreseeable future and accordingly the going concern basis is appropriate.

5. Employees

The Company utilised the staff and premises of Liverpool Victoria Friendly Society Limited in carrying out its activities during the year. Costs not directly recharged were paid by way of a management charge.

DIRECTORS' REPORT

6. Statement of disclosure of information to the auditor

Each director at the date of this report confirms that:

- 1) so far as he is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2008 of which the auditor is unaware; and
- 2) he has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

7. Auditor

During the year Ernst & Young LLP resigned as auditor and PricewaterhouseCoopers LLP was appointed in succession.

Pursuant to Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation of appointing auditors annually.

8. Statement of directors' responsibilities

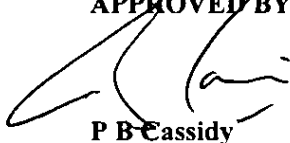
The Directors are responsible for preparing the Annual Report and the accounts in accordance with applicable International Financial Reporting Standards (IFRS) and applicable law.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED BY ORDER OF THE BOARD



P B Cassidy
Secretary
9 April 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LV INSURANCE MANAGEMENT LIMITED

We have audited the financial statements of LV Insurance Management Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

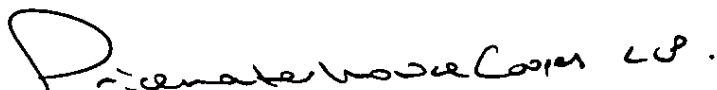
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LV INSURANCE MANAGEMENT LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Hay's Galleria

1 Hays Lane

London

SE1 2RD

9 April 2009

LV INSURANCE MANAGEMENT LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
Other operating income	3	155,070	124,890
Other operating and administrative expenses	4	(162,995)	(121,265)
(Loss)/profit before tax		(7,925)	3,625
Income tax credit/(expense)	7	1,454	(2,324)
(Loss)/profit for the financial year		(6,471)	1,301

All balances relate to continuing business

The notes on pages 11 to 27 are an integral part of the accounts.

LV INSURANCE MANAGEMENT LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Attributable to equity holders of the Company		Total
	Called up share capital	Retained earnings	
	£000	£000	£000
Balance at 1 January 2008	10,045	2,063	12,108
Change in the year	-	(6,471)	(6,471)
Balance at 31 December 2008	10,045	(4,408)	5,637

LV INSURANCE MANAGEMENT LIMITED

**BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
Assets			
Property and equipment	8	2,666	10,083
Trade and other receivables	10	18,509	17,197
Cash and cash equivalents	11	17	23
Total assets		21,192	27,303
Liabilities			
Trade and other payables	12	15,367	11,546
Deferred tax liability	14	-	2,300
Provisions	15	188	1,349
Total liabilities		15,555	15,195
Equity			
Called up share capital	16	10,045	10,045
Retained earnings	17	(4,408)	2,063
Total equity		5,637	12,108
Total liabilities and equity		21,192	27,303

These accounts were approved by the Board of Directors on 9 April 2009.
Signed on behalf of the Board of Directors


Director

LV INSURANCE MANAGEMENT LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
Cash and cash equivalents at 1 January	11	23	36
Cash flows arising from:			
Operating activities			
Cash (used in)/from generated from operating activities	19	(6,273)	5,955
Income tax paid		(846)	(1,324)
Net cash flows from operating activities		(7,119)	4,631
Investing activities			
Proceeds from sale of property and equipment		7,925	-
Purchase of property and equipment		(812)	(4,643)
Net cash flows from investing activities		7,113	(4,643)
Net decrease in cash and cash equivalents		(6)	(12)
Cash and cash equivalents at 31 December	11	17	23

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

1. Accounting policies

a) Basis of preparation

These accounts of LV Insurance Management Limited have been prepared in accordance with the International Financial Reporting Standards (IFRS). IFRS 1, First-time Adoption of International Financial Reporting Standards, with the provisions of section 255 and Schedule 9A to the Companies Act 1985 and the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006 ("ABI SORP"), has been applied in preparing these accounts. These accounts are the first accounts to be prepared in accordance with IFRS.

Reconciliations and descriptions of the effects of the transition from Generally Accepted Accounting Principles (GAAP) to IFRS on the Company's income statement and balance sheet are given in note 32.

These accounts have been prepared under historic cost convention, as modified by the revaluation of financial assets and liabilities at fair value through the profit and loss.

The preparation of the accounts in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts are disclosed below.

b) Other operating income

Management charges for the provision of services are recognised as income when due for payment.

c) Operating lease payments

Operating lease payments are accounted for on a straight line basis over the term of the lease

d) Income taxes

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

Current income tax

Current income tax liabilities and assets are measured at the amount expected to be paid or recovered to or 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 balance sheet 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 accounts. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet 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.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

e) Property and equipment

Operational property and equipment is held at accumulated cost less depreciation. Both are depreciated on a straight line basis over their estimated useful lives. The periods used are as follows:

Land	Not depreciated
Freehold buildings	50 years
Leasehold property	10 years or lease term if shorter
Major computer systems	5 years

Provision is made for any impairment in property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

f) Trade and other receivables and payables

Trade receivables and payables are recognised when due. Where there is objective evidence that the carrying value is impaired then the impairment loss will be recognised in the income statement.

g) 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 consolidated cash flow statement, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

h) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Company expects some or all of a provision to be reimbursed it is recognised as a separate asset when the reimbursement is certain.

Provisions are measured at the present value of the expenditure required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The expense relating to provisions is presented in the income statement.

FUTURE CHANGES IN ACCOUNTING POLICIES

(i) Amendments to published standards effective in 2008

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2008:

IAS 39 (Amendment), 'Reclassification of financial assets'. An amendment to the standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The Company has elected not to reclassify such financial assets; as such, this amendment has no impact on the Company's financial statements.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

(ii) Interpretations effective in 2008 but not relevant to the Company's operations

IFRIC 11, 'IFRS 2 – Group and treasury share transactions' – not applicable

IFRIC 12, 'Service concession arrangements' – not applicable.

IFRIC 13, 'Customer loyalty programmes' – not applicable

IFRIC 14, 'IAS 19 – not applicable

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

IFRS 1, 'First-time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements' (effective from 1 January 2009) – The amended standard allows first-time adopters to deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statement. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. This amendment has not been early anticipated.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company will apply IAS 1 (Revised) from 1 January 2009. It is likely to have one performance statement.

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. This is not expected to an impact on the Company as it currently carries no assets and liabilities held for trading.

IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010. IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. A pre-payment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Company will apply the IAS 38 (Amendment) from 1 January 2009. This standard is not expected to have a significant impact on the Company results.

(iv) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009) – not applicable

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009) – not applicable

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting' – not applicable

IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption of IFRS') (effective from 1 July 2009) – not applicable

IFRS 8, 'Operating segments', is mandatory for the Company's accounting periods beginning on or after 1 January 2009 – not applicable

FRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008) – not applicable

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009) – not applicable

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009) – not applicable

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009) – not applicable

IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009) – not applicable

IAS 23 (Amended), 'Borrowing costs' (effective from 1 January 2009) – not applicable

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009) – not applicable

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009)

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009) – not applicable.

IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009) – not applicable

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009) – not applicable

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009) – not applicable

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

IAS 39 (amendment) 'Eligible hedged items' (effective from 1 July 2009) – not applicable

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009) – not applicable

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009) – not applicable

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009) – not applicable

IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009) – not applicable

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application.

2. Capital Management Policies and Procedures

The Company's objectives when management capital are:

- To comply with the capital requirements set by the regulators within which the Company operates.
- To safeguard the Company's ability to continue as a going concern; and
- To maintain a strong capital base to support the development of its business.

Monitoring of the adequacy of the company's capital will be undertaken as part of the management review, there are no minimum capital requirements set as the Company is not regulated by the Financial Services Authority (FSA).

LV INSURANCE MANAGEMENT LIMITED**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008****3. Other operating income**

	2008	2007
	£000	£000
Management charges	155,070	124,890
	155,070	124,890

The Company operates in one business segment within the UK.

4. Other operating and administrative expenses

	2008	2007
	£000	£000
Amortisation of intangible assets		
Depreciation on property and equipment – owned	304	135
Operating lease rental charges on land and buildings	576	576
Auditors remuneration	10	10
Administrative expenses	154,180	121,265
Major computer system disposal	7,925	-
	162,995	121,265

5. Auditors' remuneration

	2008	2007
	£000	£000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	10	10
	10	10

During 2008 Ernst & Young LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed.

There were no other services carried out by the auditors in respect of this company.

LV INSURANCE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

6. Directors' emoluments

The aggregate amount of directors' emoluments was as follows:

	2008 £000	2007 £000
a) Aggregate emoluments	3,056	2,814

b) There were no contributions to the money purchase pension scheme in 2008 (2007: £nil).

c) Emoluments of the directors were as follows:

	Salary £000	Bonus £000	Other Benefits £000	Total £000	Total £000
Highest paid director	460	430	112	1,002	911
All directors	1,761	1,130	165	3,056	2,814

All directors are remunerated by Liverpool Victoria Friendly Society (LVFS) in respect of their executive roles within the Group. Services provided to the company during the year are minimal.

Other benefits include contributions to funded unapproved retirement benefit schemes, car allowances, medical, relocation and other benefits in kind or their equivalent monetary value.

LVFS has made no contributions to personal pension arrangements during 2007 or 2008.

d) Pension arrangements

S.M. Daniels, P.M. Bunker, S.V. Castle, J.B. O'Roarke and K.W. Abercromby are members of the LV= Employee Pension Scheme, which is a defined benefit scheme.

LVFS makes contributions to the LV= Employee Pension Scheme of 20.6% of pensionable salaries less £6.1m (2007: 20.6% of pensionable salaries less 6.1m) in respect of all permanent staff, including executive directors.

M.J. Rogers is a member of the staff pension scheme for life assurance only.

	2008 £000	2007 £000
Accrued pension at end of period		
Highest paid director	-	-
All directors	126	98

LV INSURANCE MANAGEMENT LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

7. Income tax expense

a) Current year tax credit/ (expense)

	2008	2007
	£000	£000
Current year tax charge:		
Group relief	(653)	(1,418)
Prior year adjustment	(193)	94
Total current tax	(846)	(1,324)
Deferred tax		
Temporary differences	2,300	(1,000)
Total deferred tax (note 13)	2,300	(1,000)
Total income tax credit/ (expense)	1,454	(2,324)

b) Reconciliation of tax charge

	2008	2007
	£000	£000
(Loss)/profit before tax	(7,925)	3,625
Tax at 28.5% (2007: 30%)	(2,259)	1,088
Permanent differences		
Disallowable expenses	3,471	146
Unprovided deferred tax asset	(819)	975
Deferred tax on temporary timing differences	(2,300)	1,000
Transfer pricing	260	297
Adjustment in respect of IFRS accounting	-	(1,088)
Adjustment to tax charge in respect of prior years	193	(94)
Total tax (credit)/expense for the year	(1,454)	2,324

LV INSURANCE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008

8. Property and equipment

	Leasehold property enhancements long £000	Leasehold property enhancements short £000	Computer Systems £000	Total £000
Cost:				
At 1 January 2008	-	2,306	7,925	10,231
Additions	-	812	-	812
Disposals	-	-	(7,925)	(7,925)
At 31 December 2008	-	3,118	-	3,118
Depreciation:				
At 1 January 2008	-	148	-	148
Provided in the year	-	304	-	304
Disposals	-	-	-	-
At 31 December 2008	-	452	-	452
Net book value at 31 December 2008	-	2,666	-	2,666

	Leasehold property enhancements long £000	Leasehold property enhancements short £000	Computer Systems £000	Total £000
Cost:				
At 1 January 2007	1,287	-	4,300	5,587
Additions	990	29	3,625	4,644
Disposals	-	-	-	-
At 31 December 2007	2,277	29	7,925	10,231
Depreciation:				
At 1 January 2007	13	-	-	13
Provided in the year	134	1	-	135
Disposals	-	-	-	-
At 31 December 2007	147	1	-	148
Net book value at 31 December 2007	2,130	28	7,925	10,083

LV INSURANCE MANAGEMENT LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

9. Investments in group undertakings

	2008	2007
	£000	£000
At 1 January	-	44
Capital receipt on disposal of subsidiaries	-	(44)
Balance at 31 December	-	-

On 1 January 2007, the company sold its investment in the share capital of LV Insurance Services Ltd to Liverpool Victoria General Insurance Group Ltd for a cash consideration of £44,220.

10. Trade and other receivables

	2008	2007
	£000	£000
Amounts due from group undertakings	17,874	15,289
Other receivables	635	1,908
	18,509	17,197

11. Cash and cash equivalents

	2008	2007
	£000	£000
Bank balances	17	23
Cash and cash equivalents per balance sheet and cash flow statement	17	23

12. Trade and other payables

	2008	2007
	£000	£000
Accruals and deferred income	15,165	11,210
Tax payable	202	336
	15,367	11,546

LV INSURANCE MANAGEMENT LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

13. Maturity profile of financial liabilities

Maturity profile of financial liabilities 2008		Within 1 year £000	Total £000
Trade and other payables	11	15,367	15,367
Deferred tax	13	-	-
Provision	14	188	188
		15,555	15,555

Maturity profile of financial liabilities 2007		Within 1 year £000	Total £000
Trade and other payables	11	11,546	11,546
Deferred tax	13	2,300	2,300
Provision	14	1,349	1,349
		15,195	15,195

Maturity profile of financial assets

Maturity profile of financial assets 2008		Within 1 year £000	Over 1 year	Total £000
Property and equipment	7	-	2,666	2,666
Trade and other receivables	9	18,509	-	18,509
Cash and cash equivalents	10	17	-	17
		18,526	2,666	21,192

Maturity profile of financial assets 2007		Within 1 year £000	Over 1 year £000	Total £000
Property and equipment	7	10,083	-	10,083
Trade and other receivables	9	17,197	-	17,197
Cash and cash equivalents	10	23	-	23
		27,303	-	27,303

LV INSURANCE MANAGEMENT LIMITED**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

14. Deferred tax liability

Deferred tax is provided at 28.5% (2007: 30%) analysed over the following timing differences:

	2008	2007
	£000	£000
Balance at 1 January	2,300	1,300
Acquisition	-	-
Amounts recorded in the income statement	(2,300)	1,000
Utilised during the year	-	-
Balance at 31 December	-	2,300

(i) Analysis of deferred taxation temporary differences

	2008	2007
	£000	£000
Temporary differences on expenses	-	2,300
	-	2,300

(iii) Deferred taxation asset not recognised

	2008	2007
	£000	£000
Accelerated capital allowances	2,983	2,150
	2,983	2,150

15. Provisions

	2008	2007
	£000	£000
Balance at 1 January	1,349	7,600
Utilised during the year	(1,161)	(6,251)
Balance at 31 December	188	1,349

Provision for early contract termination charges will be utilised in 2009.

LV INSURANCE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

16. Called up share capital

Authorised

	2008 £000	2007 £000
Ordinary 'A' shares of £1 each	9,543	9,543
Ordinary 'B' shares of £1 each	502	502
	10,045	10,045

Issued, allotted and fully paid

	2008 £000	2007 £000
Ordinary 'A' shares of £1 each	9,543	9,543
Ordinary 'B' shares of £1 each	502	502
	10,045	10,045

Ordinary 'B' shares

(a) The holders of the B ordinary shares shall not have any right to receive a dividend or other distribution of the Company's profits.

(b) The B ordinary shares shall confer on the holder the right to receive notice of but not to attend or speak at general meetings of the Company nor vote at general meetings of the Company unless a resolution is proposed for the solvent winding up or dissolution of the Company.

17. Retained earnings

	2008 £000	2007 £000
Balance at 1 January	2,063	762
(Loss)/profit for the year	(6,471)	1,301
Balance at 31 December	(4,408)	2,063

LV INSURANCE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

18. Lease commitments

As at 31 December 2008, the company has future aggregate lease commitments under non-cancellable operating leases in respect of buildings as follows: -

	2008	2007
	£000	£000
Operating leases which expire:		
Within 1 year	669	667
In 2 to 5 years	1,125	1,799
	1,794	2,466

19. Cash generated from operating activities

	2008	2007
	£000	£000
(Loss)/profit before tax	(7,925)	3,625
Disposal of subsidiaries	-	44
Non cash items		
Depreciation on property and equipment	304	135
Changes in working capital		
(Decrease)/increase in loan and receivables	(1,312)	3,940
Decrease in provisions and pension obligations	(1,161)	(6,251)
Increase in trade and other payables	3,821	4,462
Cash generated from operating activities	(6,273)	5,955

LV INSURANCE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

20. Related party transactions

The Company enters into transactions with key management personnel in the normal course of business. All transactions are carried out on an arm's length basis. Details of significant transactions carried out during the year with related parties are as follows:

The following transactions have taken place between the Company and LV Group:

	2008 £000	2007 £000
Management charge to the Company	155,070	124,890
	155,070	124,890

Balances outstanding between the Company and LV Group:

	2008 £000	2007 £000
Receivable by the Company	17,874	15,289
	17,874	15,289

Key management personnel of the Group include all directors, executive and non-executive, and senior management (the Board and the Executive Committee). The summary of the compensation of key management personnel for the year is as follows:

	2008 £000	2007 £000
Salaries	1,761	1,568
Bonus	1,130	1,110
Other short term employment benefits	165	136
Total compensation of key management personnel	3,056	2,814

21. Ultimate parent society

The ultimate parent company is Liverpool Victoria Friendly Society Limited, an incorporated Friendly Society registered under the Friendly Societies Act 1992.

The immediate parent company is LV General Insurance Group Limited.

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/aboutus/report

LV INSURANCE MANAGEMENT LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

22. IFRS 1 First time adoption of International Accounting Standards

a) Reconciliation of Income Statement for the year ended 31 December 2007

	As reported UK GAAP	Capitalisation of major computer systems	IFRS restated
	£000	£000	£000
Fee income	124,890	-	124,890
Other operating and administrative expenses	(124,890)	3,625	(121,265)
Profit before tax	-	3,625	3,625
Income tax expense	(1,324)	(1,000)	(2,324)
Profit for the financial year	(1,324)	2,625	1,301

b) Reconciliation of the Balance Sheet at 31 December 2007

	As reported UK GAAP	Capitalisation of major computer systems	IFRS restated
	£000	£000	£000
Assets			
Property and equipment	2,158	7,925	10,083
Trade and other receivables	17,197	-	17,197
Cash and cash equivalents	23	-	23
Total Assets	19,378	7,925	27,303
Liabilities			
Trade and other payables	11,546	-	11,546
Deferred tax	-	2,300	2,300
Provision	1,349	-	1,349
Total liabilities	12,895	2,300	15,195
Equity			
Called up share capital	10,045	-	10,045
Retained earnings	(3,562)	5,625	2,063
Total equity	6,483	5,625	12,108

The UK GAAP Balance Sheet has been presented in a format consistent with International Financial Reporting Standards (IFRS). No changes have been made to the previously reported numbers for UK GAAP and the analyses of the adjustments are based on UK GAAP as at 31 December 2007.

LV INSURANCE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

Capitalisation of major computer systems

The Company has revisited their accounting policy on the capitalisation of large computer projects. Previously this was expensed as incurred but will now be capitalised and amortised over a 5 year period when brought into use.

c) Reconciliation of Income Statement for the year ended 31 December 2006

	As reported UK GAAP £000	Capitalisation of major computer systems £000	IFRS restated £000
Fee income	22,113	-	22,113
Other operating and administrative expenses	(22,113)	4,300	(17,813)
Profit before tax	-	4,300	4,300
Income tax expense	(2,238)	(1,300)	(3,538)
Profit for the financial year	(2,238)	3,000	762

d) Reconciliation of the Balance Sheet at 1 January 2007

	As reported UK GAAP £000	Capitalisation of major computer systems £000	IFRS restated £000
Assets			
Property and equipment	1,274	4,300	5,574
Investment in subsidiary	44	-	44
Trade and other receivables	21,137	-	21,137
Cash and cash equivalents	36	-	36
Total Assets	22,491	4,300	26,791
Liabilities			
Trade and other payables	7,084	-	7,084
Deferred tax	-	1,300	1,300
Provision	7,600	-	7,600
Total liabilities	14,684	1,300	15,984
Equity			
Called up share capital	10,045	-	10,045
Retained earnings	(2,238)	3,000	762
Total equity	7,807	3,000	10,807