COMPANY REGISTRATION NUMBER: 05636081

LV INSURANCE MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

R A Rowney	Resigned 31 December 2019
S Treloar	
J M Dye	

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 audited financial statements for LV Insurance Management Limited (the 'Company') for the year to 31 December 2019.

1. Results and dividends
The loss for the financial year was £7,000 (2018 (unaudited): £4,000) as set out on page 12. The Directors propose no dividends for the current year (2018: £nil).

2. Principal activities
The principal activity of LV Insurance Management Limited (Company) is the provision of management services to other companies within the Liverpool Victoria General Insurance Group ('LVGIG').

3. Business review and developments

(a) Results and performance
During 2019 the Company has continued to support LVGIG and its subsidiaries ('the Group') in its long term strategic objectives and has net assets of £694,000 (2018 (unaudited): £701,000).

(b) Strategy
The long term objective of '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 is one of the service companies within 'the Group' and supports the main operating entities in achieving the overall objective. The Directors do not anticipate any change in this status in the near future.

(c) Principal risks and uncertainties and risk management
The key business risks and uncertainties affecting the Company are considered to relate to credit risk. However, this is considered minimal with all significant balances being due from fellow group companies. The Company actively manages and monitors its credit exposure on an ongoing basis and where possible limits significant transactions to counterparties with high credit ratings or those that operate in a regulated environment.

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.

(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. 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 daily basis. Regular communications are taking place across the organisation to keep all colleagues informed throughout the period of uncertainty. The risks have largely come to the fore from late February onwards 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. 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.

(d) Significant post statement of financial position events. (continued)
We are working closely with key suppliers to understand and manage the impact of Covid-19 on our supply chain. The reduced demand allows these companies to operate with their own diminished operational capabilities but equally puts financial pressure on many of them.

The solvency position of the insurance companies in the group, that the Company provides services to 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.

(e) Key performance indicators ('KPIs')
Given the nature of the Company's operations the Directors do not consider the use of KPIs to be appropriate.

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

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 present members of the Board and the members 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 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. Employees
The Company did not directly employ any staff during 2019 or 2018. Instead it utilised the staff of LVGIG and premises of Liverpool Victoria Financial Services Limited ('LVFS') in carrying out its activities. Staff costs and the cost of premises were recharged from LVGIG through a management charge. In addition some services have been provided by Allianz Holdings plc where services have transitioned from LVFS.

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 during the last financial year. LVGIG, the immediate parent company, 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 57 Ladymead, Guildford, Surrey GU1 1DB.

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.

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.

DIRECTORS' REPORT

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 C Jack-Kee
Company Secretary

22 December 2020

Independent auditors' report to the members of LV Insurance Management Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, LV Insurance Management 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 loss 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 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 qualified opinion

Trade and other payables as per the statement of financial position include accruals and contract liabilities totalling £11,731k as at 31 December 2019. Our sample testing over this balance revealed instances where the amount recorded was not accurate and suggested a material overstatement if the results of our sample testing were extrapolated. We also encountered similar issues when testing accruals and contract liabilities at 31 December 2018 of £16,270k as part of our opening balances work. Both of these issues also impact the reported Other operating and administrative expenses for the years ended 31 December 2019 and 2018 of £72,358k and £98,846k respectively. Management have been unable to provide documentation to support the accuracy of these balances to a level that demonstrates the risk of misstatement is not material. We have not been able to obtain sufficient appropriate audit evidence from alternative procedures. We have therefore been unable to obtain sufficient appropriate audit evidence over Trade and other payables as at 31 December 2019 and Other operating and administrative expenses for the year ended 31 December 2019.

Our opinion is also qualified because of the possible effect of this matter on the comparability of the current years' figures for Trade and other payables and Other operating and administrative expenses and the corresponding figures in the prior year.

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 qualified 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.

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, 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.

Other required reporting

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to accruals and contract liabilities, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

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

- 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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	Unaudited 2018 £000
Other income	3	**72,650**	98,846
Total income		**72,650**	98,846
Other operating and administrative expenses	4	**(72,358)**	(98,846)
Finance Costs		**(292)**	-
Total expenses		**(72,650)**	(98,846)
Result before tax		**-**	-
Income tax expense	7	**(7)**	(4)
Loss for the financial year		**(7)**	(4)
Total comprehensive loss for the year		**(7)**	(4)

All balances relate to continuing business.

The notes on pages 15 to 31 are an integral part of the financial statements.

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

		Attributable to equity holder of the Company			
		Share capital	**Share premium**	**Accumulated losses**	**Total equity**
	Note	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2019		**1,045**	**-**	**(344)**	**701**
Loss for the financial year	19	**-**	**-**	**(7)**	**(7)**
Balance at 31 December 2019		**1,045**	**-**	**(351)**	**694**

		Attributable to equity holder of the Company			
Unaudited		Share capital	Share premium	Accumulated losses	Total equity
	Note	£000	£000	£000	£000
Balance at 1 January 2018		1,045	-	(340)	705
Loss for the financial year	19	-	-	(4)	(4)
Balance at 31 December 2018		1,045	-	(344)	701

The notes on pages 15 to 31 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	Unaudited 2018 £000
Assets			
Intangible assets	8	**72,557**	83,705
Property, plant and equipment	9	**5,234**	4,605
Right-of-use assets	9	**8,337**	-
Deferred tax assets	10	**1,460**	1,246
Current tax asset	11	**-**	116
Prepayments and accrued income	12	**4,674**	12,512
Loans and other receivables	13	**18,872**	7,229
Total assets		**111,134**	109,413
Liabilities			
Current tax liability	11	**125**	-
Lease liabilities	21	**9,176**	-
Trade and other payables	15	**98,043**	104,990
Provisions	17	**3,096**	3,722
Total liabilities		**110,440**	108,712
Equity			
Share capital	18	**1,045**	1,045
Accumulated losses	19	**(351)**	(344)
Total equity		**694**	701
Total liabilities and equity		**111,134**	109,413

The notes on pages 15 to 31 are an integral part of the financial statements.

Signed on behalf of the Board of Directors

S. Treloar

S Treloar
Director

22 December 2020

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	Unaudited 2018 £000
Cash and cash equivalents at 1 January		**-**	-
Cash flows arising from:			
Operating activities			
Cash generated from operating activities	22	**7,840**	22,244
Income tax recovered	11	**20**	27
Net cash flows generated from operating activities		**7,860**	22,271
Investing activities			
Proceeds from sale/transfer of property and equipment	9	**587**	-
Purchase of property and equipment	9	**(3,106)**	(21)
Purchase of intangibles	8	**(5,154)**	(22,250)
Net cash flows used in investing activities		**(7,673)**	(22,271)
Financing activities			
Principal elements of lease payments		**(187)**	-
Net cash flows used in financing activities		**(187)**	-
Cash and cash equivalents at 31 December		**-**	-

The notes on pages 15 to 31 are an integral part of the financial statements.

1. General information

The Company is a private company limited by shares, domiciled and incorporated in England, United Kingdom. The principal activity of LV Insurance Management Limited ('Company') is the provision of management services to other companies within Liverpool Victoria General Insurance Group.

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 ('IFRS IC') 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 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 Company has not used any significant estimates or judgements in preparing the financial statements in conformity with IFRS, except in the estimation of internally generated staff costs and the useful life of software (see IT Software below).

During the year, intangible additions included £5.2m of internally generated staff costs. The amounts to be capitalised are based upon the time spent by staff on the development of the asset. The expected economic life is determined by reference to the normal lives of related products and the competitive positions and lies within the range of 3 to 8 years. Intangible assets are reviewed annually to assess their useful life. The review is based upon managements judgements.

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 financial, trading and capital position and is owned by one of the largest property and casualty insurers in the world. The Company is a management service company for regulated insurance entities which have strong solvency positions

There is undeniably significant uncertainty surrounding the impact of COVID-19 on the business. However, an assessment by line of business of the insurance entities the Company serves 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. The Company 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 support measures have been introduced to try to support the economy. It is anticipated that the UK will enter a period of recession in 2020 due to this economic shock.

Going concern (continued)
Management are regularly assessing the impact on the financial, liquidity 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 at the time of writing.

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

Other income
Management charges for the provision of services are recognised as income when due for payment. The Company recognises other operating income when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the Company. Income from the recharged expenses is recognised in parallel with the recognition of the underlying expenses to be charged.

Loans and other receivables
Receivables are amounts due for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. A loss allowance is calculated in respect of Receivables as explained in the accounting policy on impairment.

Impairment of financial assets
The Company has financial assets that are subject to the expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

IT Software
IAS 38 Intangible Assets requires the capitalisation of certain expenditure relating to software costs. Software costs are capitalised if it is probable that the asset created will generate future economic benefits. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense.

Software costs capitalised as intangible assets include computer application software licences and internally developed software. Internally developed software is capitalised as an intangible asset and amortised over its estimated useful life when it is either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable. Software intangibles are amortised using the straight-line method over their useful lives (3 to 8 years). The amortisation periods used are reviewed annually.

Software values are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on value in use calculations.

2. Accounting policies (continued)

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.

Property and equipment
Operational property and equipment is held at accumulated cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Both property and equipment are depreciated to their estimated residual values on a straight-line basis over their estimated useful lives. The periods used are as follows:

Leasehold property enhancements*	10 years or lease term if shorter
Fixtures, fittings and IT equipment	3 to 10 years

Assets are written down to their recoverable amount where this is less than the carrying value.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

*These are properties used for operational purposes and are not investment properties.

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

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.

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.

2. Accounting policies (continued)

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.

Operating lease payments - treatment in 2018 comparatives – see page 19 for further details
The costs in respect of operating leases are charged on a straight line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, rent free periods) is recognised as deferred income and is released over the life of the lease.

Provisions
Provisions are recognised where there is 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 some or all of a provision is expected 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 SOCI.

Onerous contracts
A provision is made for onerous contracts in which the unavoidable costs of meeting the obligation exceed the expected future economic benefits.

2. Accounting policies (continued)

CHANGES IN ACCOUNTING POLICIES

a) **New and amended standards adopted**

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

IFRS 16 'Leases'
IFRS 16 'Leases' has been adopted on 1 January 2019 in accordance with the modified retrospective approach transitional provision, under which the cumulative effect of initial application is recognised in unallocated divisible surplus at 1 January 2019 with no restatement of comparative information or disclosures.

IFRS 16 results in all long-term leases being recognised in the Statement of Financial Position, whereas such treatment only applied to finance leases under IAS 17. On adoption of IFRS 16 the Company capitalised an additional £9.3m right of use assets and £9.1m lease liabilities related to its regional offices associated with continuing operations. These amounts were determined using a weighted average incremental borrowing rate of 3.25%. At 31 December 2019 right of use assets held by the Company are £9.4m and lease liabilities are £9.2m. On transition to IFRS 16 the closing Operating lease commitment per note 20 of £10.4m has been discounted by 1.3 million leaving an opening lease liability of £9.1m.

In accordance with the transitional provision applied on adoption of IFRS 16 for leases previously classified as operating leases, the lease liability has been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The Company has elected to measure the right of use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

The Company applied the following practical expedients applicable to initial adoption on transition to IFRS 16:
• For contracts in force prior to adoption of IFRS 16, only those that were identified as leases in accordance with IAS 17 and IFRS IC 4 are identified as leases in accordance with IFRS 16.
• A single discount rate of 3.25% has been applied to the Company's portfolio of regional offices that were previously accounted for as operating leases.
• Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.
• Hindsight has been used in determining the lease terms.
• The IAS 37 onerous contract review at 31 December 2018 was relied upon as an alternative to performing an impairment review on the opening right of use asset balance.
• Right-of-use assets and liabilities have not been recognised for leases ending during 2019.

Accounting for assets held under leases and lease liabilities
Accounting policy from 1 January 2019
This policy is applicable to lease contracts entered into on or after 1 January 2019. For leases in force at 1 January 2019 the Company has applied the transitional provisions in IFRS 16.

The Company recognises a separate right of use asset to Property, plant and equipment and a separate lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is determined by obtaining interest rates from external financing sources for periods equivalent to the terms of the leases and rent review intervals. Lease payments used in the measurement of the lease liability comprise fixed payments including minimum prescribed rental increases at contractual rent reviews.

Accounting for assets held under leases and lease liabilities (continued)
The right of use asset is subsequently depreciated on a straight line basis over the lease term. The lease liability is subsequently measured at amortised cost using the effective interest method. Depreciation charged on the right of use asset is recognised within Other operating and administrative expenses and interest expense on the lease liability is recognised within Finance costs.

The lease liability is remeasured when there is a change in future lease payments arising from a change in management' assessment of whether the Company will exercise a break clause or the rental payments are revised in accordance with a contractual rent review. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Significant accounting judgement lease term
The regional offices are under shorter leases, with original contractual terms in the range of 5 to 15 years. The majority of leases have break clauses exercisable only by the lessee, no leases have extension options. Management has applied judgement in determining the lease terms for accounting purposes; periods beyond break clauses are included where management is reasonably certain not to exercise the break option.

Accounting policy applicable to the year ended 31 December 2018
The Company has applied the modified retrospective approach on adoption of IFRS 16. Accounting for leases for the year ended 31 December 2018 therefore continues to be in accordance with IAS 17 as described below.

Where assets are financed by leasing arrangements and the risks and rewards are substantially transferred to the Company, such finance leases are treated as if the assets had been purchased outright and the obligation to the lessor for future rentals is a liability.

The lease asset is reported in Property, plant and equipment and the lease liability is shown as a separate liability. Leased assets are depreciated on a straight line basis over the lease term. The liability is calculated based on the present value of the minimum lease payments at the inception of the lease. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Statement of Comprehensive Income.

All other leases are operating leases and the costs in respect of operating leases are charged on a straight line basis over the lease term. The value of any lease incentive received to take on an operating lease is recognised as a prepayment and is released over the lease term.

At 31 December 2019 right of use assets held by the Company are £9.4m and lease liabilities are £9.2m. Right of use assets and lease liabilities are unwound over the lease terms which, on adoption of IFRS 16, averaged 5 years on for regional offices and was 10 years for the head office. Lease rentals are typically renegotiated every 5 years to market rentals and include break clauses for additional flexibility.

The majority of leases include break clauses and these are only exercisable by the Group, not the landlord. Where the Group expects not to terminate the lease at such break clauses, the remaining period is included within the lease term.

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

3. Other income

	2019 £000	Unaudited 2018 £000
Management charges	**72,650**	98,846
	72,650	98,846

4. Other operating and administrative expenses

	Note	2019 £000	Unaudited 2018 £000
Depreciation on property, plant and equipment – owned	9	**1,890**	1,572
Depreciation on property, plant and equipment – Right-of-use-Asset	9	**1,026**	-
Operating lease rental charge on land and buildings		**187**	1,722
Administrative expenses (including management charge)		**52,953**	82,001
Amortisation of intangible assets	8	**16,302**	13,551
		72,358	98,846

5. Audit remuneration

LVGIG is responsible for the management and administration of the Company.
The audit remuneration in respect of services to the Company is borne by LVGIG.

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

6. 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 Liverpool Victoria General Insurance Group.

7. Income tax expense

a) Current year tax expense

	2019 £000	Unaudited 2018 £000
Current year tax (expense)/credit:		
Current tax		
Group relief	**(126)**	90
Adjustments to current tax in respect of prior years	**(95)**	26
Total current tax	**(221)**	116
Deferred tax		
Adjustments to deferred tax in respect of prior years	**87**	(28)
Deferred tax charge	**127**	(92)
Total deferred tax credit/(expense)	**214**	(120)
Total income tax expense	**(7)**	(4)

b) Reconciliation of tax expense

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2019 £000	Unaudited 2018 £000
Result before tax	**-**	-
Result multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	**-**	-
Effects of:		
Expenses not deductible for tax purposes	**1**	(2)
Adjustment to current tax in respect of prior years	**(95)**	26
Adjustment to deferred tax in respect of prior years	**87**	(28)
Total income tax expense for the year	**(7)**	(4)

8. Intangible assets

	Software and licence costs	Total
	£000	£000
Cost		
At 1 January 2019	**108,273**	**108,273**
Additions	**5,154**	**5,154**
At 31 December 2019	**113,427**	**113,427**
Accumulated amortisation		
At 1 January 2019	**24,568**	**24,568**
Amortisation charge for the year	**16,302**	**16,302**
At 31 December 2019	**40,870**	**40,870**
Net book value at 31 December 2019	**72,557**	**72,557**
Net book value at 31 December 2018	83,705	83,705

Unaudited	Software and licence costs	Total
	£000	£000
Cost		
At 1 January 2018	86,023	86,023
Additions	22,250	22,250
At 31 December 2018	108,273	108,273
Accumulated amortisation		
At 1 January 2018	11,017	11,017
Amortisation charge for the year	13,551	13,551
At 31 December 2018	24,568	24,568
Net book value at 31 December 2018	83,705	83,705

9. Property, plant and equipment

	Leasehold property enhancements	Right-of-use assets	Fixtures, fittings and IT equipment	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2019	8,426	-	9,755	18,181
Additions	1,125	9,363	1,981	12,469
Disposals	(2,475)	-	(315)	(2,790)
At 31 December 2019	7,076	9,363	11,421	27,860
Accumulated depreciation:				
At 1 January 2019	6,345	-	7,231	13,576
Charge in the year	771	1,026	1,119	2,916
Disposals	(1,884)	-	(319)	(2,203)
At 31 December 2019	5,232	1,026	8,031	14,289
Net book value at 31 December 2019	1,844	8,337	3,390	13,571

Unaudited	Leasehold property enhancements	Right-of-use assets	Fixtures, fittings and IT equipment	Total
	£000		£000	£000
Cost:				
At 1 January 2018	8,426	-	9,734	18,160
Additions	-	-	21	21
At 31 December 2018	8,426	-	9,755	18,181
Accumulated depreciation:				
At 1 January 2018	5,614	-	6,390	12,004
Charge in the year	731	-	841	1,572
At 31 December 2018	6,345	-	7,231	13,576
Net book value at 31 December 2018	2,081	-	2,524	4,605

10. Deferred tax asset

	2019 £000	Unaudited 2018 £000
At 1 January	**1,246**	1,366
Credit/(Charge) for the year	**214**	(120)
At 31 December	**1,460**	1,246

Analysis of deferred taxation temporary differences

Accelerated capital allowances	**1,460**	1,246
	1,460	1,246

The analysis of the deferred tax balance is as follows:

Deferred tax asset expected to be recovered after more than 12 months	**1,123**	1,197
Deferred tax asset expected to be recovered within 12 months	**337**	49
Net deferred tax asset	**1,460**	1,246

The valuation and recoverability of deferred tax assets relating to capital allowances in excess of depreciation is dependant on the availability of future taxable profits within the company. Management forecasts currently support the future recoverability of the deferred tax asset recognised in the statement of financial position as at 31st December 2019.

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.

11. Current tax (liability)/asset

	2019 £000	Unaudited 2018 £000
At 1 January	**116**	27
Amounts recorded in the statement of comprehensive income	**(221)**	116
Income tax recovered	**(20)**	(27)
At 31 December	**(125)**	116

12. Prepayments and accrued income

	2019 £000	Restated Unaudited 2018 £000
Prepayments	**4,674**	12,512
	4,674	12,512

There are no balances past due or impaired. The prior year comparative information incorrectly classified prepayments as amounts owed from group undertakings and amounts owed from group undertakings as prepayments. This has been corrected.

13. Loans and other receivables

	2019 £000	Restated Unaudited 2018 £000
Amounts owed from group undertakings	**18,872**	7,229
	18,872	7,229

There are no balances past due or impaired. The prior year comparative information incorrectly classified prepayments as amounts owed from group undertakings and amounts owed from group undertakings as prepayments. This has been corrected.

14. Maturity profile of assets

Maturity profile of assets 2019	**Note**	**Within 1 year £000**	**Total £000**
Amounts owed from group undertakings	13	**18,872**	**18,872**
		18,872	**18,872**

Unaudited

Maturity profile of assets 2018	Note	Within 1 year £000	Total £000
Amounts owed from group undertakings	13	7,229	7,229
		7,229	7,229

The carrying value of amounts owed from group undertakings is unsecured with no interest charged.

15. Trade and other payables

	2019 £000	Unaudited 2018 £000
Amounts owed to group undertakings	**86,129**	88,310
Accruals and contract liabilities	**11,731**	16,270
Other payables	**183**	410
	98,043	104,990

The carrying value of trade and other payables held at amortised cost is £98,043k (2018: £104,990k).
The value of amounts owed to group undertakings is an unsecured intercompany payable as at 31.12.19, this is due to be formalised as a loan backed by Parental guarantee in 2020.

16. Maturity profile of liabilities

Maturity profile of liabilities 2019	**Note**	**Within 1 year £000**	**Over 1 year £000**	**Total £000**
Trade and other payables	15	**(98,043)**	**-**	**(98,043)**
Provisions	17	**(3,096)**	**-**	**(3,096)**
Lease Liabilities	**21**	**(1,655)**	**(7,521)**	**(9,176)**
		(102,794)	**(7,521)**	**(110,315)**

Unaudited Maturity profile of liabilities 2018	Note	Within 1 year £000	Over 1 year £000	Total £000
Trade and other payables	15	(104,990)	-	(104,990)
Provisions	17	(3,722)	-	(3,722)
		(108,712)	-	(108,712)

The carrying value of lease liabilities held has been discounted by £1.29m (2018: £NIL). Total contractual liabilities of leases is £10.475m (2018: £Nil), Carrying Value post discounting is £9.176m (2018: £Nil).

17. Provisions

	2019 £000	Restated Unaudited 2018 £000
Balance at 1 January	**3,722**	5,077
Additions during the year	**-**	7
Utilised during the year	**-**	(1,362)
Releases during the year	**(626)**	-
Balance at 31 December	**3,096**	3,722

Provisions relate to onerous contracts following the sale of the commercial lines business of £3,092k and dilapidations on property of £4k. It is expected the remaining provisions will be utilised in the following year. The movements between opening and closing positions have been restated in the comparative information to correct for errors in the prior year disclosure.

18. Share capital

	2019 £000	Unaudited 2018 £000
Ordinary shares, allotted and fully paid		
1,045,001 (2018: 1,045,001) ordinary shares of £1 each	**1,045**	1,045
	1,045	1,045

All authorised shares have been issued.

19. Accumulated losses

	2019 £000	Unaudited 2018 £000
Balance at 1 January	**(344)**	(340)
Loss for the year	**(7)**	(4)
Balance at 31 December	**(351)**	(344)

This reserve, when positive, is distributable in future periods, subject to the provisions of the Companies Act 2006.

20. Annual commitments

Commitments

	2019 £000	Unaudited 2018 £000
Operating leases which expire:		
Within 1 year	-	23
In 2 to 5 years	-	4,331
Greater than 5 years	-	6,058
	-	10,412

Capital commitments

Capital commitments relate to authorised and contracted commitments payable but not provided for regarding equipment.

Other financial commitments

The Company has entered into several long-term contracts following service outsourcing which will end no later than 2021. These contracted commitments have not been provided for in the financial statements, except where these contracts are expected to be onerous (see note 17).

21. Lease Liabilities

Lease liabilities

	2019 £000	Unaudited 2018 £000
Within 1 year	**1,655**	-
In 2 to 5 years	**4,046**	-
Greater than 5 years	**3,475**	-
	9,176	-

The lease liability is measured at amortised cost using the effective interest method. Depreciation charged on the right of use asset is recognised within Other operating and administrative expenses and interest expense on the lease liability is recognised within Finance costs.

22. Cash generated from operating activities

	2019 £000	Restated Unaudited 2018 £000
Result before tax	-	-
Non-cash items		
Amortisation and impairment of intangibles	**16,302**	13,551
Depreciation on property, plant and equipment	**2,916**	1,572
Changes in working capital		
(Increase) / Decrease in loans and other receivables	**(11,643**	(4,686)
Decrease in provisions	**(626)**	(1,355)
Decrease in prepayments	**7,838**	2,543
(Decrease) / Increase in trade and other payables	**(6,947)**	10,619
Cash generated from operating activities	**7,840**	22,244

The increase in trade and other payables in the comparative information has been restated to split out correctly the decrease in prepayments.

23. Related party transactions

The Company did not enter into transactions with key management personnel. 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 other Group companies:

	2019 £000	Unaudited 2018 £000
Management charge income (with LVIC* and HW*)	**72,650**	98,846
	72,650	98,846

*Liverpool Victoria Insurance Company Limited (LVIC)
*Highway Insurance Company Limited (HW)

Balances outstanding between the Company and LVGIG:

	2019 £000	Unaudited 2018 £000
Receivable from the Company	**(18,872)**	(7,229)
	(18,872)	(7,229)

Balances outstanding between the Company and LVIC:

	2019 £000	Unaudited 2018 £000
Payable by the Company	**86,129**	88,310
	86,129	88,310

24. Subsequent Events

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. COVID-19 has been classified as a non-adjusting event for accounting purposes. At December 31, 2019, a very limited number of cases had been reported to the World Health Organisation. Since then the spread of the virus has been rapid and the number of reported cases and deaths has increased significantly.

The impact on society is reflected in business closures, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored with management plans in place to mitigate financial and operational risks. The financial impact is difficult to estimate at this stage. However, there is a significant degree of uncertainty the Company remains in a robust position,

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 at the time of writing.

25. Ultimate parent company

The ultimate parent company and ultimate controlling party is Allianz SE, a European multinational financial services company headquartered in Munich, Germany.

The immediate parent company is LVGIG', a limited liability company, incorporated in the UK.

The immediate parent company is registered at the below address:

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

The ultimate parent company Allianz SE is registered at:

Königinstrasse 28
D-80802 Munich
Germany

The largest company whose financial statements this company is consolidated into is Allianz SE. The smallest company whose financial statements this company is consolidated into is LVGIG. With effect from 31st December 2019 LVGIG is a 100% owned subsidiary of Allianz Holdings UK (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