

COMPANY REGISTRATION NUMBER: 05636081

**LV INSURANCE MANAGEMENT LIMITED**

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**UNAUDITED REPORT AND  
FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED 31 DECEMBER 2018**



**LV INSURANCE MANAGEMENT LIMITED**  
**REPORT AND FINANCIAL STATEMENTS 2018**

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**LV INSURANCE MANAGEMENT LIMITED**

**DIRECTORS, OFFICERS AND REGISTERED OFFICE**

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**Directors**

R A Rowney

S Treloar

J M Dye

**Company Secretary**

R S Small

Resigned 3 September 2018

M P Jones

Appointed 31 October 2018

**Registered office**

County Gates

Bournemouth

BH1 2NF

Tel: 01202 292333

Fax: 01202 751825

## STRATEGIC REPORT

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The Directors submit their annual report and the financial statements for LV Insurance Management Limited (the 'Company') for the year to 31 December 2018.

### 1. Results and dividends

The loss for the financial year was £4,000 (2017: £133,000) as set out on page 7. The Directors propose no dividends for the current year (2017: £nil).

### 2. Principal activities

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

### 3. Business review and developments

#### (a) Results and performance

During 2018 the Company has continued to support LVGIG in its long term strategic objectives and has net assets of £701,000 (2017: £705,000).

#### (b) Strategy

The long term objective of LVGIG and its subsidiaries ('Group') is as follows:

*"To be Britain's best loved, achieving this through customer centricity, maintaining its customer satisfaction and retention rates and growth through outperforming in the personal lines market. The Group aims to deliver attractive and consistent returns to its shareholders."*

The Company is one of the service companies within this 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.

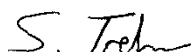
#### (d) Significant post statement of financial position events.

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

#### (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.

On behalf of the Board of Directors



S Treloar  
Director

21 March 2019

## **DIRECTORS' REPORT**

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

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

### **1. Directors and their interests**

The 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 ultimate parent company is Liverpool Victoria Friendly Society Limited ('LVFS'), a friendly society incorporated under the Friendly Societies Act 1992. The immediate parent company is LVGIG. LVGIG is a 51% owned subsidiary of LV Capital PLC. During the previous year LV Capital plc sold a 49% stake in LVGIG to Allianz Holdings plc.

### **3. Employees**

The Company did not directly employ any staff during 2018. Instead it utilised the staff of LVGIG and premises of LVFS in carrying out its activities, staff costs were recharged from LVGIG through a management charge and cost of premises were paid to LVFS under the TSA.

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

The Directors have the benefit of an indemnity which constitutes a "qualifying third party indemnity provision" as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. LVFS, the ultimate 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 the registered office of the Company, details of which are provided on page 3.

### **5. Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS's) 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**

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

M P Jones  
Company Secretary

A handwritten signature in black ink, appearing to read 'M P Jones', written over a horizontal line.

21 March 2019

**LV INSURANCE MANAGEMENT LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	Audited 2017 £000
Other income	3	98,846	282,762
<b>Total income</b>		<b>98,846</b>	<b>282,762</b>
Other operating and administrative expenses	4	(98,846)	(282,762)
<b>Total expenses</b>		<b>(98,846)</b>	<b>(282,762)</b>
<b>Profit before tax</b>		<b>-</b>	<b>-</b>
Income tax expense	7	(4)	(133)
<b>Loss for the financial year</b>		<b>(4)</b>	<b>(133)</b>
<b>Total comprehensive loss for the year</b>		<b>(4)</b>	<b>(133)</b>

All balances relate to continuing business.

The notes on pages 11 to 26 are an integral part of the financial statements.

**LV INSURANCE MANAGEMENT LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

		Attributable to equity holders of the Company			Total equity
		Share capital	Share premium	Accumulated losses	
	Note	£000	£000	£000	£000
Balance at 1 January 2018		1,045	-	(340)	705
Loss for the financial year	18	-	-	(4)	(4)
<b>Balance at 31 December 2018</b>		<b>1,045</b>	<b>-</b>	<b>(344)</b>	<b>701</b>

		Attributable to equity holders of the Company			Total equity
		Share capital	Share premium	Accumulated losses	
	Note	£000	£000	£000	£000
Balance at 1 January 2017		1,045	-	(207)	838
Loss for the financial year	18	-	-	(133)	(133)
<b>Balance at 31 December 2017</b>		<b>1,045</b>	<b>-</b>	<b>(340)</b>	<b>705</b>

The notes on pages 11 to 26 are an integral part of the financial statements.



**LV INSURANCE MANAGEMENT LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Note	2018 £000	Audited 2017 £000
<b>Assets</b>			
Intangible assets	8	83,705	75,006
Financial assets			
Property, plant and equipment	9	4,605	6,156
Deferred tax assets	10	1,247	1,367
Current tax asset	11	116	27
Prepayments and accrued income	12	19,742	34,832
<b>Total assets</b>		<b>109,415</b>	<b>117,388</b>
<b>Liabilities</b>			
Trade and other payables	14	104,992	111,606
Provisions	16	3,722	5,077
<b>Total liabilities</b>		<b>108,714</b>	<b>116,683</b>
<b>Equity</b>			
Share capital	17	1,045	1,045
Accumulated losses	18	(344)	(340)
<b>Total equity</b>		<b>701</b>	<b>705</b>
<b>Total liabilities and equity</b>		<b>109,415</b>	<b>117,388</b>

The notes on pages 11 to 26 are an integral part of the financial statements.

**Audit exemption statement**

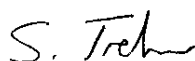
For the year ending 31 December 2018 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 ('Act') relating to subsidiary companies.

**Directors' responsibilities:**

- the members have not required the Company to obtain an audit of the accounts for the year in question in accordance with section 476 of the act; and
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The unaudited financial statements on pages 7 to 26 were approved by the Board of Directors on 21 March 2019.

Signed on behalf of the Board of Directors



S Treloar  
Director

**LV INSURANCE MANAGEMENT LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

		<b>2018</b>	<b>Audited</b>
	<b>Note</b>	<b>£000</b>	<b>2017</b>
			<b>£000</b>
<b>Cash and cash equivalents at 1 January</b>		-	-
<b>Cash flows arising from:</b>			
<b>Operating activities</b>			
Cash generated from operating activities	20	<b>22,244</b>	34,666
Income tax paid	11	<b>27</b>	(474)
<b>Net cash flows generated from operating activities</b>		<b>22,271</b>	34,192
<b>Investing activities</b>			
Proceeds from sale/transfer of property and equipment	9	-	740
Purchase of property and equipment	9	<b>(21)</b>	(462)
Purchase of intangibles	8	<b>(22,250)</b>	(34,470)
<b>Net cash flows used in investing activities</b>		<b>(22,271)</b>	(34,192)
<b>Financing activities</b>			
<b>Cash and cash equivalents at 31 December</b>		-	-

The notes on pages 11 to 26 are an integral part of the financial statements.

## **LV INSURANCE MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. General information**

The Company is a private company limited by shares, domiciled and incorporated in the 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 (LVGIG).

#### **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 ('IFRIC') 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.

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

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 £22.2m 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.

##### **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.

## **LV INSURANCE MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **Financial assets at fair value through profit and loss**

Investments classified as fair value through profit and loss ('FVTPL') relate to holdings in unit trusts and as such are required to be classified as FVTPL by nature of the investment.

Such assets are valued at market prices, or prices consistent with market ratings should no price be available. Day one gains or losses are recognised only where valuations use data from observable markets. Any unrealised or realised gains or losses are taken to the Statement of Comprehensive Income, as fair value gains or losses, or realised gains or losses respectively, as they occur.

##### **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.

##### **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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**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 and fittings	3 to 10 years
IT equipment	3 to 8 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.

## **LV INSURANCE MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **Income taxes**

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

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

Income tax expense recorded in the Statement of Comprehensive Income represents the current year corporation tax charge. Corporation tax is charged on trading profits arising in the year.

##### **- Current income tax**

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

##### **- Deferred tax**

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

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

##### **Operating lease payments**

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 Statement of Comprehensive Income.

##### **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**

**(i) New and amended standards adopted**

The following new and amended standards that have been adopted by the EU for accounting periods beginning on or after 1 January 2018 have been adopted by the Company:

**a) New standards and interpretations**

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

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

**Classification and measurement**

Until 31 December 2017, the Company classified its financial assets in the following categories:

- financial assets at fair value through profit or loss; and
- short-term trade receivables.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

Subsequent to initial recognition, financial assets at FVPL were carried at fair value and short-term trade receivables were carried at invoiced amount less impairment. Gains or losses arising from changes in the fair value and interest income were recognised in profit or loss within investment income.

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The Company only invested in unit trusts and held short-term trade receivables. The investment in unit trust continues to be classified as Fair Value through Profit and Loss due to the nature of the investment. The Company has taken the exemption for short-term trade receivables to continue to measure these at the invoiced amount; relevant loss allowances are reported separately.

**Impairment**

The Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

On adoption of IFRS 9, the Company applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

## **LV INSURANCE MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **a) New standards and interpretations**

##### **IFRS 15 'Revenue from contracts with customers'**

IFRS 15 replaces IAS 18 'Revenue' and applies to non-insurance revenue, providing a principles based approach for revenue recognition that is underpinned by the achievement of performance obligations.

At 31 December 2018 the Company had an immaterial amount of revenue that is relevant for this standard. This includes management services fees charged to other subsidiaries within the group. Fees are charged each month based on the costs incurred which are commensurate with the services provided to other subsidiaries.

The Company's previous accounting policy under IAS 18 for fee and commission income to recognise revenue over time as the services are provided is consistent with the requirements of IFRS 15, and accordingly no adjustments or restatement of prior periods have been necessary. Unbilled receivables and Contract assets replace accrued income whilst Contract liabilities replace deferred income; these are recognised when payments are received in phasing consistent with the pattern of revenue recognition. Disclosure of revenue from contracts with customers is included in Note 3.

##### **IFRIC 22 'Foreign currency transactions and advance consideration'**

IFRIC 22 clarifies that advanced payments for goods or services should be recognised using the spot rate on the date of the advanced payment / receipt and not retranslated at the date that the associated IFRS balance is recognised. This is consistent with how such transactions are accounted for by the Company, therefore this amendment does not impact the Company's financial statements.

#### **b) Amendments to standards**

Other than as set out above, no new or amended accounting standards and interpretations were adopted for the 2018 financial year.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following:

The Company has assessed its financial instruments against the classification and measurement criteria of IFRS 9. The balances that are relevant to this standard include:

- invoiced creditor balances with group companies and third parties which will continue to be held at the invoiced amount.

##### **IFRS 16 'Leases'**

IFRS 16 'Leases' was issued in January 2016 and replaces existing leases guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease.' IFRS 16 is effective from 1 January 2019.

##### **Nature of change**

IFRS 16 will result in almost all leases being recognised on the Statement of Financial Position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

**Transition**

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company will elect to use the exemptions for lessees proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Company intends to apply the practical expedient for lessees to rely on its assessment of whether leases are onerous applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' as at 31 December 2018 as an alternative to performing an impairment review. There is no provision for onerous leases recognised in the Statement of Financial Position at 31 December 2018.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

**Impact<sup>1</sup>**

As at the reporting date, the Company has non-cancellable operating lease commitments of £1,722m, see note 20. Of these commitments, approximately £326k relate to leases which are short-term or of low value assets which will be recognised on a straight-line basis as an expense in profit or loss. For the remaining lease commitments the Company expects to recognise right-of-use assets of approximately £9,134,411m on 1 January 2019, lease liabilities of £8,956,234m.

<sup>1</sup> The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application

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

**LV INSURANCE MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. Other income**

	<b>2018</b>	Audited
	<b>£000</b>	2017
		£000
Management charges	<b>98,846</b>	282,762
	<b>98,846</b>	282,762

**4. Other operating and administrative expenses**

		<b>2018</b>	Audited
	<b>Note</b>	<b>£000</b>	2017
			£000
Depreciation on property, plant and equipment – owned	9	<b>1,572</b>	1,872
Operating lease rental charge on land and buildings		<b>1,722</b>	1,144
Administrative expenses (including management charge)		<b>82,001</b>	273,247
Amortisation and impairment of intangible assets	8	<b>13,551</b>	6,499
		<b>98,846</b>	282,762

**5. Auditors' remuneration**

	<b>2018</b>	Audited
	<b>£000</b>	2017
		£000
Audit of the Company	-	22
	-	22

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

**6. Directors' emoluments**

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

**LV INSURANCE MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**7. Income tax expense**

**a) Current year tax expense**

	<b>2018</b>	Audited
	<b>£000</b>	2017
		<b>£000</b>
<b>Current year tax (expense)/credit:</b>		
<b>Current tax</b>		
Group relief	<b>90</b>	27
Adjustments to current tax in respect of prior years	<b>26</b>	(658)
<b>Total current tax</b>	<b>116</b>	(631)
<b>Deferred tax</b>		
Adjustments to deferred tax in respect of prior years	<b>(28)</b>	563
Deferred tax charge	<b>(92)</b>	(65)
<b>Total deferred tax credit/(expense)</b>	<b>(120)</b>	498
<b>Total income tax expense</b>	<b>(4)</b>	(133)

**b) Reconciliation of tax expense**

The tax rate in the prior year was higher (2017: 19.25%) than the standard rate of corporation tax in the UK of 19.00% for the current year.

	<b>2018</b>	Audited
	<b>£000</b>	2017
		<b>£000</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>(1)</b>	(38)
Adjustment to current tax in respect of prior years	<b>26</b>	(658)
Adjustment to deferred tax in respect of prior years	<b>(29)</b>	563
<b>Total income tax expense for the year</b>	<b>(4)</b>	(133)

The standard rate of corporation tax in the UK changed from 20.00% to 19.00% with effect from 1 April 2017. Accordingly, the profits for the prior accounting period are taxed at an effective rate of 19.25%. The current year is taxed at 19.00% in line with the standard rate for the UK.

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**8. Intangible assets**

	<b>Software and licence costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>Cost</b>		
At 1 January 2018	<b>86,023</b>	<b>86,023</b>
Additions	<b>22,250</b>	<b>22,250</b>
<b>At 31 December 2018</b>	<b>108,273</b>	<b>108,273</b>
<b>Accumulated amortisation</b>		
At 1 January 2018	<b>11,017</b>	<b>11,017</b>
Amortisation charge for the year	<b>13,551</b>	<b>13,551</b>
<b>At 31 December 2018</b>	<b>24,568</b>	<b>24,568</b>
<b>Net book value at 31 December 2018</b>	<b>83,705</b>	<b>83,705</b>
Net book value at 31 December 2017	75,006	75,006
	<b>Software and licence costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>Cost</b>		
At 1 January 2017	51,553	51,553
Additions	34,470	34,470
<b>At 31 December 2017</b>	<b>86,023</b>	<b>86,023</b>
<b>Accumulated amortisation</b>		
At 1 January 2017	4,518	4,518
Amortisation charge for the year	4,910	4,910
Account Amortisation - impairment	1,589	1,589
<b>At 31 December 2017</b>	<b>11,017</b>	<b>11,017</b>
<b>Net book value at 31 December 2017</b>	<b>75,006</b>	<b>75,006</b>

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**9. Property, plant and equipment**

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

	Leasehold property enhancements	Fixtures, fittings and IT equipment	Total
	£000	£000	£000
<b>Cost:</b>			
At 1 January 2017	8,404	10,034	18,438
Additions	22	440	462
Disposals	-	(740)	(740)
<b>At 31 December 2017</b>	<b>8,426</b>	<b>9,734</b>	<b>18,160</b>
<b>Accumulated depreciation:</b>			
At 1 January 2017	4,843	5,289	10,132
Provided in the year	771	1,101	1,872
<b>At 31 December 2017</b>	<b>5,614</b>	<b>6,390</b>	<b>12,004</b>
<b>Net book value at 31 December 2017</b>	<b>2,812</b>	<b>3,344</b>	<b>6,156</b>

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<b>10. Deferred tax asset</b>	<b>2018</b>	<b>Audited 2017</b>
	<b>£000</b>	<b>£000</b>
At 1 January	<b>1,367</b>	869
Charge for the year	<b>(120)</b>	498
At 31 December	<b>1,247</b>	1,367

Analysis of deferred taxation temporary differences

Accelerated capital allowances	<b>1,247</b>	1,367
	<b>1,247</b>	1,367

The analysis of the deferred tax balance is as follows:

Deferred tax asset expected to be recovered after more than 12 months	<b>1,197</b>	1,277
Deferred tax asset expected to be recovered within 12 months	<b>49</b>	90
Net deferred tax asset	<b>1,246</b>	1,367

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 2018.

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

<b>11. Current tax asset</b>	<b>2018</b>	<b>Audited 2017</b>
	<b>£000</b>	<b>£000</b>
At 1 January	<b>27</b>	184
Amounts recorded in the statement of comprehensive income	<b>116</b>	(631)
Income tax paid	<b>(27)</b>	474
At 31 December	<b>116</b>	27

<b>12. Prepayments, unbilled receivables and contract liabilities</b>	<b>2018</b>	<b>Audited 2017</b>
	<b>£000</b>	<b>£000</b>
Amounts owed from group undertakings	<b>7,229</b>	19,777
Prepayments	<b>12,513</b>	15,055
	<b>19,742</b>	34,832

There are no balances past due or impaired.

**LV INSURANCE MANAGEMENT LIMITED**

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**13. Maturity profile of assets**

	<b>Note</b>	<b>Within 1 year £000</b>	<b>Total £000</b>
<b>Maturity profile of assets 2018</b>			
Prepayments, unbilled receivables and contract liabilities	12	<b>19,742</b>	<b>19,742</b>
		<b>19,742</b>	<b>19,742</b>

Audited

	<b>Note</b>	<b>Within 1 year £000</b>	<b>Total £000</b>
<b>Maturity profile of assets 2017</b>			
Prepayments, unbilled receivables and contract liabilities	12	34,832	34,832
		34,832	34,832

**14. Trade and other payables**

	<b>2018 £000</b>	<b>Audited 2017 £000</b>
Amounts owed to group undertakings	<b>88,310</b>	81,162
Accruals and contract liabilities	<b>16,271</b>	30,277
Other payables	<b>411</b>	167
	<b>104,992</b>	111,606

The carrying value of trade and other payables held at amortised cost is £104,891k (2017: £111,458k).

**15. Maturity profile of liabilities**

	<b>Note</b>	<b>Within 1 year £000</b>	<b>Over 1 year £000</b>	<b>Total £000</b>
<b>Maturity profile of liabilities 2018</b>				
Trade and other payables	14	<b>(104,992)</b>	-	<b>(104,992)</b>
Provisions	16	<b>(3,722)</b>	-	<b>(3,722)</b>
		<b>(108,714)</b>	-	<b>(108,714)</b>
<b>Audited</b>				
<b>Maturity profile of liabilities 2017</b>				
Trade and other payables	14	(111,606)	-	(111,606)
Provisions	16	(1,812)	(3,265)	(5,077)
		(113,418)	(3,265)	(116,683)

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<b>16. Provisions</b>	<b>2018</b>	<b>Audited 2017</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 January	5,077	-
Utilised during the year	8,274	-
Additions / (Releases) during the year	(9,629)	5,077
<b>Balance at 31 December</b>	<b>3,722</b>	<b>5,077</b>

Provisions relate to onerous contracts following the sale of the commercial lines business of £3,717k and dilapidations on property of £4k. Whilst there is a degree of uncertainty of timings, it is expected the remaining provisions will be utilised over the following 2 years.

<b>17. Share capital</b>	<b>2018</b>	<b>Audited 2017</b>
	<b>£000</b>	<b>£000</b>
<b>Ordinary shares, allotted and fully paid</b>		
1,045,001 (2017: 1,045,001) ordinary shares of £1 each	1,045	1,045
	<b>1,045</b>	<b>1,045</b>

All authorised shares have been issued.

<b>18. Accumulated losses</b>	<b>2018</b>	<b>Audited 2017</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 January	(340)	(207)
Loss for the year	(4)	(133)
<b>Balance at 31 December</b>	<b>(344)</b>	<b>(340)</b>

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



**LV INSURANCE MANAGEMENT LIMITED**

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**19. Annual commitments**

**Annual lease commitments**

As at 31 December, the Company had aggregate commitments under non-cancellable operating leases in respect of buildings as follows:

	<b>2018</b>	Audited
	<b>£000</b>	2017
		<b>£000</b>
Operating leases which expire:		
Within 1 year	<b>23</b>	1,144
In 2 to 5 years	<b>4,331</b>	110
Greater than 5 years	<b>6,058</b>	-
	<b>10,412</b>	1,254

**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).

**20. Cash generated from operating activities**

	<b>2018</b>	Audited
	<b>£000</b>	2017
		<b>£000</b>
<b>Non-cash items</b>		
Amortisation and impairment of intangibles	<b>13,551</b>	6,499
Depreciation on property, plant and equipment	<b>1,572</b>	1,872
<b>Changes in working capital</b>		
Increase in loans and other receivables	<b>(4,686)</b>	(32,364)
Increase / (Decrease) in provisions	<b>(1,355)</b>	5,077
Increase in trade and other payables	<b>13,162</b>	53,582
<b>Cash generated from operating activities</b>	<b>22,244</b>	34,666

## LV INSURANCE MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 21. 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:

	2018 £000	Audited 2017 £000
Management charge income (with LVIC* and HW*)	98,846	282,762
Management charge expense (with LVFS)	-	(206,543)
	98,846	76,219

\*Liverpool Victoria Insurance Company Limited (LVIC)

\*Highway Insurance Company Limited (HW)

Balances outstanding between the Company and LVFS:		Audited
	2018 £000	2017 £000
(Receivable from)/payable to the Company	(7,229)	(19,777)
	(7,229)	(19,777)

Balances outstanding between the Company and LVIC:		Audited
	2018 £000	2017 £000
Payable by the Company	88,310	81,162
	88,310	81,162

#### 22. Ultimate parent company

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

The immediate parent company is Liverpool Victoria General Insurance Group Limited, a limited liability company, incorporated in the United Kingdom.

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

The largest company whose accounts this company is consolidated into is Liverpool Victoria Friendly Society Limited. The smallest company whose accounts this company is consolidated into is LVGIG. LVGIG is a 51% owned subsidiary of LV Capital plc (2017: 51%). On 28 December 2017 LV Capital plc sold a 49% stake in LVGIG to Allianz Holdings plc.

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

The Company Secretary  
County Gates  
Bournemouth  
BH1 2NF

or for LVFS only online at <http://www.lv.com/about-us/company-information/returns/reports-accounts>