COMPANY REGISTRATION NUMBER: 05636081

LV INSURANCE MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

CONTENTS

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

J M Dye	(resigned November 30, 2021)
S Treloar	
K P Wenzel	(appointed December 1, 2021)

Company Secretary

R C Jack-Kee	(resigned December 1, 2021)
C M Twemlow	(appointed December 1, 2021)

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

1. Principal activities

LV Insurance Management Limited ('Company') is a wholly owned subsidiary within the Allianz Holdings plc ('AZH') group of companies ('Allianz', 'the Group') which is one of the largest general insurers in the United Kingdom measured by gross written premium. The Company's principal activity is the provision of management services to other companies within the Liverpool Victoria General Insurance Group ('LVGIG Group').

In July 2021, the Allianz business in the UK restructured its operations to form two new trading divisions, Allianz Personal and Allianz Commercial, supported by the integrated central functions of Operations, Finance, Risk and Human Resources. This structure aligns with the distinct needs of our individual customer groups and gives us more scope to benefit from shared knowledge and scale whilst simplifying our business and enabling us to focus on specific segments. The services the Company provides to companies within the LVGIG group, fall within the scope of the Allianz Personal wider division, which also includes speciality products such as Animal Health and musical instruments. The CEO of Allianz Personal is S Treloar, who was previously CEO of the LVGIG group of companies and is a Director of the Company.

2. Results and dividends

The loss for the financial year was £957,000 (2020: £7,534,000) as set out on page 12. The Directors propose no dividends for the current year (2020: £nil).

3. Business review and future developments

(a) Results and performance

During 2021 the Company has continued to support the Liverpool Victoria General Insurance Group Limited ('LVGIG') and its subsidiaries in its long-term strategic objectives and has total equity of £(173,000) (2020 total equity: £784,000).

Total income and total expenses have decreased by 62% and 68% respectively as a result of LVGIG now acting as the main management services company in the LVGIG Group.

The negative total equity position has occurred as a result of prior year adjustments to deferred and current tax, which due to timing differences was yet to be allocated to fellow group undertakings, as at December 31, 2022. Whilst there is little possibility of the amounts not being fully recovered from these fellow subsidiaries, a letter of support has been issued by AZH.

(b) Strategy

The long-term objective of 'the Group' is as follows:

"Our vision is to be Britain's best loved. We seek to achieve this through people centricity, maintaining our customer satisfaction and retention rates, and growth through outperformance in both the Motor and Home personal lines and, with the acquisition by Allianz of Fairmead in 2020, increasing the diversification from personal Motor by increasing personal Home insurance".

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

Following the Russian military invasion of Ukraine on February 24, 2022, the on-going conflict is a new source of uncertainty for the Company in 2022. Management have reviewed the risks to the Company and considered in particular, operational exposures along with the wider macro-economic impacts of sanctions, information security threats and potential disruption to the supply chain.

Whilst the Company has no direct investment or operational exposure to Russia or Ukraine, we are monitoring closely any impacts of the event in Ukraine on our normal trading activity, however long-term effects are uncertain and dependent on the duration of the disruption.

(c) Principal risks and uncertainties (continued)
The other 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 a short-term debt through a related party loan (see note 18) but has no long-term debt and considers its capital to comprise its ordinary share capital and accumulated losses.

The solvency position of the companies in the LVGIG group that the Company provides services to being insurance companies, continues to be frequently monitored in light of these emerging financial risks. We continue to assess the level of solvency against the Company's risk appetite and maintain a number of contingency actions should the solvency position become under stress and need addressing.

For further information on Capital management, risk management and control, please see note 3.

(d) Key performance indicators ('KPIs')
The financial key performance indicators monitored by the Company are; total expenses and total equity. The 2021 results for the Company show total expenses of £ 20,182,000 (2020: £ 62,476,000) (see 3(a) Results and performance for more information. The total equity at December 31, 2021 was £(173,000) (2020 total equity: £784,000).

(e) Significant post year end events
There have been no events of significance affecting the Company since the statement of financial position date.

Section 172 (1) Companies Act 2006 Statement

This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties. The Directors consider, both individually and collectively, they have acted in a way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year.

The Company is a wholly owned subsidiary of Liverpool Victoria General Insurance Group Limited which is itself a wholly owned subsidiary of the Allianz Holdings plc group of companies ("the Group"), which is one of the largest general insurers in the UK measured by gross written premium.

As a result of the governance structure of the Group, strategic decisions and matters which affect the whole Group are considered by the Board of Allianz Holdings plc ("AZH") or its committees to an appropriate extent for the Group as a whole. Certain Group stakeholders and their interests (including employees, community and the environment) are considered at and actions concerning them determined at a Group level by the AZH Board and its committees rather than at a subsidiary board level. One of the Directors of the Company is also a director of the Group Board and ensures that Group-wide strategy and stakeholder considerations are communicated to the Company's Board.

As a wholly owned subsidiary of the Group and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company's Board must have regard to the overall strategy and direction of the Group, including the impact on broader stakeholders of the Group, when making decisions. Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business. The Company's key stakeholders are its shareholder, other entities within the LVGIG Group, and employees working on its business (who are employed by another entity within the Group) as well as wider stakeholders such as the local communities in which it operates and environmental considerations. When strategic and operational matters are considered by the Company's Board, the Directors, in compliance with their s172(1) duties, have regard to the Company's relevant stakeholders and their interests as well as the long-term consequences of their decisions on the Company and the wider Group.

During 2021 the Company's Board met to approve the annual report and accounts for the year ended December 31, 2020. The Board also approved entry into a new Intra-Group Framework Agreement ("Agreement") amongst the companies in the Group. The Directors reviewed the agreement and noted that it would support the provision of personnel services to the Company and other services provided by Group companies to the Company as well as outsourced services provided to the Company through a contract with one Group company and external suppliers. The Board considered that the Agreement would promote the success of the Company for the benefit of its shareholder and approved entry into the Agreement by the Company.

During the year, the Board also approved the Company's Modern Slavery Statement as incorporated within the AZH Modern Slavery Statement for the year ended 31 December 2020. In approving the statement, the Board considered that a range of activities were being undertaken within the Group to reduce the risk of modern slavery in supply chains and therefore promote the success of the Company for the benefit of the Group's customers, suppliers and its shareholder.

On behalf of the Board

S Treloar
Director

September 30, 2022

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; and
- 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.

A qualifying third party indemnity was in force during the financial year and also at the date of approval of the financial statements.

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

3. Going concern
The Directors, having undertaken an assessment are confident in the Company's ability to continue as a going concern. Allianz Holdings plc, an intermediate parent company has provided a Letter of Support to enable the financial statements for the Company to be presented on a going concern basis. The Letter of Support states that the intermediate parent company will continue to provide financial and other support to the Company at least for the next twelve months and thereafter for the foreseeable future to enable it to continue to trade.

4. Employees
The Company does not employ any staff. During the year, LVGIG, the Company's immediate parent company, and Allianz Management Services Limited ('AMSL'), a subsidiary of AZH, provided administration services and staff to the Company and to other Allianz Group companies. LVGIG and AMSL have a high level of resources and expertise which benefit the Company.

5. Statement of directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 United Kingdom Accounting Standards, comprising FRS 101 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.

5. Statement of directors' responsibilities in respect of the financial statements (continued)

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' confirmations
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.

By order of the Board

C M Twemlow
Company Secretary

September 30, 2022

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

Report on the audit of the financial statements

Opinion

In our opinion, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2021; the statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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 Statement of directors' responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries which may impact the financial performance and position of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable law and regulations;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

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

We have no exceptions to report arising from this responsibility.

Zahid Khan

Zahid Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 £000	2020 £000
Income	4	**20,182**	53,063
Total income		**20,182**	53,063
Other operating and administrative expenses	5	**(18,047)**	(61,968)
Finance costs	6	**(2,135)**	(508)
Total expenses		**(20,182)**	(62,476)
Result/(loss) before tax		**-**	(9,413)
Income tax (expense)/credit	9	**(957)**	1,879
Loss for the financial year		**(957)**	(7,534)
Total comprehensive loss for the year		**(957)**	(7,534)

All transactions relate to continuing business.

There has been no other comprehensive income in the year ended December 31, 2021 (2020: nil).

The notes on pages 15 to 29 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	Share capital £000	Accumulated losses £000	Total equity £000
Balance at January 1, 2021		**1,045**	**(261)**	**784**
Total comprehensive loss for the year	22	**-**	**(957)**	**(957)**
Balance at December 31, 2021		**1,045**	**(1,218)**	**(173)**

	Note	Share capital £000	Retained earnings/ (Accumulated losses) £000	Total equity £000
Balance at January 1, 2020		1,045	7,273	8,318
Total comprehensive loss for the year	22	-	(7,534)	(7,534)
Balance at December 31, 2020		1,045	(261)	784

The notes on pages 15 to 29 are an integral part of the financial statements.

LV INSURANCE MANAGEMENT LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	2021 £000	2020 £000
Assets			
Intangible assets	10	**39,052**	52,948
Property and equipment	11	**925**	2,885
Right-of-use assets	11	**5,801**	7,306
Deferred tax assets	12	**1,331**	1,465
Current tax asset	13	**-**	87
Prepayments and accrued income	14	**683**	694
Other receivables	15	**8,571**	7,759
Total assets		**56,363**	73,144
Liabilities			
Lease liabilities	17	**6,721**	8,024
Loan from related party	18	**47,250**	63,000
Provisions	19	**524**	712
Current tax liability	13	**2,041**	-
Trade and other payables	20	**-**	624
Total liabilities		**56,536**	72,360
Equity			
Called up share capital	21	**1,045**	1,045
Accumulated losses	22	**(1,218)**	(261)
Total equity		**(173)**	784
Total liabilities and equity		**56,363**	73,144

The notes on pages 15 to 29 are an integral part of the financial statements.

These financial statements on pages 12 to 29 were approved by the Board of Directors and signed on its behalf by:

S. Treloar

S Treloar
Director

September 30, 2022

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 Financial reporting standards 101 "Reduced Disclosure Framework" ("FRS101") and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted International accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The Company has taken advantage of the IAS 7 Statement of Cash Flows exemption under FRS 101 and has not presented a Statement of Cash Flows.

Historic cost convention
These financial statements have been prepared under the historic cost convention with the exception of lease liabilities (please refer to the Right-of-Use Assets accounting policy).

Items included in the financial statements are measured using the currency of the primary economic environment (the 'functional currency') which is sterling. Unless otherwise noted, the financial statements are presented in sterling (the 'presentation currency'). All amounts in the financial statements and notes have been rounded off to the nearest thousand, unless otherwise stated.

The preparation of the financial statements in conformity with FRS 101 requires the use of estimates. It also requires management to exercise judgement in the process of applying the accounting policies.

Going concern
After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Allianz Holdings plc, an intermediate parent company has provided a Letter of Support to enable the financial statements for the Company to be presented on a going concern basis. For further information, please refer to the Directors report.

SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

Income
Management charges for the provision of services are recognised as income when due for payment and when the performance obligation has been satisfied. The obligation has been satisfied when the expenses are recharged and as such the corresponding income from these recharged expenses is also recognised immediately.

Other receivables
Other receivables are initially measured at fair value and then subsequently measured at amortised cost using the effective interest rate method. Other receivables are recognised when due and are generally due for settlement within 30 days and are therefore all classified as current. Other receivables shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

Prepayments and accrued income
Prepayments are recognised to the extent that a payment has been made in relation to an asset where the benefit will be recognised in a future period. Accrued income is recognised when income has been earned but will be received in a future period.

2. Accounting policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Company has financial assets that are subject to the expected credit loss model. An expected credit loss ("ECL") provision is assessed as at the Balance Sheet date and the carrying amount of the receivables balance is reported after deduction of any ECL. The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the receivables multiplied by a 1 year probability of default ("PD"), an appropriate loss given default ("LGD") and the number of days to maturity as a fraction of a year ("tenor").

Intangible assets
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.

During the year, there were no new internally generated staff costs (2020: nil). Historically, the amounts capitalised were based upon the time spent by staff on the development of the asset. The expected economic life of the intangibles 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.

Trade and other payables
Trade and other payables are initially recognised and subsequently measured, at cost, because they are expected to be settled within twelve months and their carrying value is a reasonable approximation of fair value. Trade and other payables are derecognised upon settlement.

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 ('SOFP') date.

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

2. *Accounting policies (continued)*

SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-Use Assets (IFRS 16 Leases)
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are subsequently depreciated using the straight line method over the shorter of the asset's useful life or the end of the lease term.

The Company has no short-term leases associated with low-value assets.

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.

2. Accounting policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax expense
The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses and is recorded in the Statement of Comprehensive Income ('SOCI'). Corporation tax is charged on trading profits arising in the year.

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

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

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

2. Accounting policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Interest bearing loans
Interest bearing loans are initially recognised at cost and held at amortised cost until redemption. Finance costs associated with interest bearing loans are recognised and charged to the SOCI as they fall due, in line with the contractual terms of the agreement.

Significant accounting judgements, estimates and assumptions

The Company has not used any significant estimates or judgements in preparing the financial statements in conformity with FRS 101, except in the estimation of internally generated staff costs and the useful life of software (see Intangible assets in Accounting policies). Of the material intangible assets, a reduction in the useful life of one year would result in an additional amortisation charge to the SOCI of £1.6m (2020: £0.8m).

CHANGES IN ACCOUNTING POLICIES

New standards and interpretations
No new standards have been adopted by the Company for accounting periods beginning on or after January 1, 2021.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended December 31, 2021 that have a material impact on the company's financial statements.

3. Capital management and risk management and control

The Company's capital risk is determined with reference to the requirements of the Allianz Holdings plc group. In managing capital, the Company does not seek to make either a profit or loss, with all costs incurred by the Company being recharged to Group subsidiaries of LVGIG. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2021, the Company had negative £173,000 (2020: positive £784,000) of total capital employed, due to deferred tax arising from the 2019 restatement, which will be recovered from fellow undertakings in the LVGIG Group. As mentioned, in the Strategic Report (page 4 section 3), the company has a Letter of support from its intermediate parent AZH. The Company's operations are wholly based in the United Kingdom hence any risk exposure is almost entirely confined within the UK.

The table below summarises the expected recovery or settlement of assets:

Maturity profile of financial assets 2021	**Note**	**Within 1 year £000**	**Over 1 year £000**	**Total £000**
Amounts owed from group undertakings	15	**8,571**	**-**	**8,571**
Accrued income	14	**479**	**-**	**479**
		9,050	**-**	**9,050**

Maturity profile of financial assets 2020	Note	Within 1 year £000	Over 1 year £000	Total £000
Amounts owed from group undertakings	15	7,759	-	7,759
		7,759	-	7,759

The table below summarises the maturity profile of liabilities:

Maturity profile of financial liabilities 2021	**Note**	**Within 1 year £000**	**Over 1 year £000**	**Total £000**
Loan from related party	18	**(15,750)**	**(31,500)**	**(47,250)**
Provisions	19	**(524)**	**-**	**(524)**
Lease Liabilities	17	**(1,136)**	**(5,585)**	**(6,721)**
		(17,410)	**(37,085)**	**(54,495)**

Maturity profile of financial liabilities 2020	Note	Within 1 year £000	Over 1 year £000	Total £000
Trade and other payables	20	(624)	-	(624)
Loan from related party	18	(15,750)	(47,250)	(63,000)
Provisions	19	(712)	-	(712)
Lease Liabilities	17	(1,303)	(6,721)	(8,024)
		(18,389)	(53,971)	(72,360)

3. Capital management and risk management and control (continued)

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its amounts due from group undertakings. The Company deems this risk to be low as the amounts are due from fellow Allianz SE Group subsidiaries and as such are A rated.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company is exposed to liquidity risk through its amounts due to group undertakings. Liquidity risk for the Company is mitigated as the Company finances all costs through intercompany recharges to other group companies.

The Company considers the liquidity risk associated with the right of use asset and lease liability to be insignificant as these are related balances which unwind over the same lease term. The Company has sufficient liquid assets to meet the lease liabilities as they fall due.

The Company has a loan from a fellow AZH Group Company repayable over 4 years. The loan is guaranteed by Allianz SE as disclosed in Note 18. Liquidity risk for the Company is mitigated as the Company's finances all cost through intercompany recharges to other LVGIG group companies.

4. Income

	2021 £000	2020 £000
Management charges	**20,182**	53,063
	20,182	53,063

5. Other operating and administrative expenses

	Note	2021 £000	2020 £000
Depreciation on property and equipment – owned	11	**1,960**	2,391
Depreciation on property and equipment – right-of-use asset	11	**1,029**	1,031
Administrative expenses (including management charge)		**1,162**	42,266
Amortisation of intangible assets	10	**13,896**	16,280
		18,047	61,968

6. Finance costs

	2021 £000	2020 £000
Interest expense on lease liabilities	**245**	286
Interest on loan	**1,890**	222
	2,135	508

7. Audit remuneration

LVGIG is responsible for the management and administration of the Company. The audit remuneration in respect of audit services to the Company is £33K (2020: £33K) and is borne by LVGIG.

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

8. Directors' emoluments

The remuneration of J M Dye and K P Wenzel is paid by Allianz Management Services Limited ("AMS") and the remuneration of S Treloar is paid by LVGIG. LVGIG and AMS are Group Service companies and make no recharge to the Company for such costs. The aforementioned individuals provide services to the Company and other companies within the Allianz UK Group and it is not possible to make an accurate apportionment of an individual's remuneration in respect of their role as a Director of the Company. Accordingly, no remuneration is being disclosed for such individuals.

9. Income tax (expense)/credit

a) Income tax recognised in profit or loss

	2021 £000	2020 £000
Current year tax (expense)/credit		
Group relief	**(183)**	1,710
Adjustments to current tax in respect of prior years	**(640)**	164
Total current tax (expense)/credit	**(823)**	1,874
Deferred tax		
Adjustments to deferred tax in respect of prior years	**(511)**	(213)
Adjustments to deferred tax attributable to changes in rates and law	**319**	147
Deferred tax credit	**58**	71
Total deferred tax (expense)/credit	**(134)**	5
Total income tax (expense)/credit	**(957)**	1,879

b) Reconciliation of tax (expense)/credit

The tax assessed for the period is higher than the standard rate of corporation tax (19%) (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Loss before tax	**-**	(9,413)
Results multiplied by standard rate of corporation tax in the UK of 19% *(2020:19%)*	**-**	1,788
Effects of:		
Expenses not deductible for tax purposes	**-**	(7)
Effect of changes in statutory tax rate	**319**	147
Effect of imputed transfer pricing adjustments	**(125)**	-
Adjustment to current tax in respect of prior years	**(640)**	164
Adjustment to deferred tax in respect of prior years	**(511)**	(213)
	(957)	91
Total income tax (expense)/credit for the year	**(957)**	1,879

The tax rate used for the 2021 and 2020 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The standard rate of UK corporation tax is currently 19%, changing to 25% with effect from April 1, 2023. On 23 September 2022, the UK Chancellor of the Exchequer announced that the intended increase in the UK corporate tax rate to 25% from April 2023 referred to above will be cancelled. This change has not been substantively enacted as at the date of these accounts, and so is not reflected in the company's balance sheet. The impact of this change is not expected to be material to these accounts.

10. Intangible assets

	Software and licence costs	Total
	£000	£000
Cost		
At January 1, 2021	**109,972**	**109,972**
At December 31, 2021	**109,972**	**109,972**
Accumulated amortisation		
At January 1, 2021	**57,024**	**57,024**
Amortisation charge for the year	**13,896**	**13,896**
At December 31, 2021	**70,920**	**70,920**
Net book value at December 31, 2021	**39,052**	**39,052**

	Software and licence costs	Total
	£000	£000
Cost		
At January 1, 2020	113,427	113,427
Disposals	(3,455)	(3,455)
At December 31, 2020	109,972	109,972
Accumulated amortisation		
At January 1, 2020	40,870	40,870
Amortisation charge for the year	16,280	16,280
Disposals	(126)	(126)
At December 31, 2020	57,024	57,024
Net book value at December 31, 2020	52,948	52,948

11. Property and equipment

	Leasehold property enhancements	Right-of-use assets	Fixtures, fittings and IT equipment	Total
	£000	£000	£000	£000
Cost:				
At January 1, 2021	**7,111**	**9,363**	**11,428**	**27,902**
Less Impairment:	**-**	**(476)**	**-**	**(476)**
At December 31, 2021	**7,111**	**8,887**	**11,428**	**27,426**
Accumulated depreciation:				
At January 1, 2021	**5,966**	**2,057**	**9,688**	**17,711**
Charge in the year	**540**	**1,029**	**1,420**	**2,989**
At December 31, 2021	**6,506**	**3,086**	**11,108**	**20,700**
Net book value at December 31, 2021	**605**	**5,801**	**320**	**6,726**

	Leasehold property enhancements	Right-of-use assets	Fixtures, fittings and IT equipment	Total
	£000	£000	£000	£000
Cost:				
At January 1, 2020	7,076	9,363	11,421	27,860
Adjustments	35	-	7	42
At December 31, 2020	7,111	9,363	11,428	27,902
Accumulated depreciation:				
At January 1, 2020	5,232	1,026	8,031	14,289
Charge in the year	734	1,031	1,657	3,422
At December 31, 2020	5,966	2,057	9,688	17,711
Net book value at December 31, 2020	1,145	7,306	1,740	10,191

The principle element of lease payments made during 2021 in respect of right of use assets was £1,303k (2020:£1,151k).

12. Deferred tax asset

	2021 £000	2020 £000
At January 1	**1,465**	1,460
(Expense)/credit for the year	**(134)**	5
At December 31	**1,331**	1,465

Analysis of deferred taxation temporary differences

Accelerated capital allowances	**1,331**	1,465
	1,331	1,465

The analysis of the deferred tax balance is as follows:

Deferred tax asset expected to be recovered after more than 12 months	**1,110**	1,176
Deferred tax asset expected to be recovered within 12 months	**221**	289
Net deferred tax asset	**1,331**	1,465

The valuation and recoverability of deferred tax assets relating to capital allowances in excess of depreciation is dependent on the availability of future taxable profits within the company. Management forecasts currently support the future recoverability of the deferred tax asset recognised in the SOFP as at December 31, 2021.

The tax rate used for the 2021 and 2020 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The standard rate of UK corporation tax is currently 19%, changing to 25% with effect from April 1, 2023.

13. Current tax (liability)/asset

	2021 £000	2020 £000
At January 1	**87**	(1,913)
Amounts recorded in the statement of comprehensive income	**(823)**	1,874
Income tax (recovered)/paid	**(1,305)**	126
At December 31	**(2,041)**	87

The current tax liability is payable within one year.

14. Prepayments and accrued income

	2021 £000	2020 £000
Prepayments	**204**	694
Accrued income	**479**	-
	683	694

There are no balances past due or impaired. The Company has concluded that the ECL model has made no significant impact on the value of receivables reported in the Financial Statements.

15. Other receivables

	2021 £000	2020 £000
Amounts owed from group undertakings	**8,571**	7,759
	8,571	7,759

There are no balances past due or impaired.

16. Annual commitments

Financial commitments
The Company has ended all its long-term contracts in 2021. Onerous contracts relating to the sale of the commercial business were settled in 2021 (see note 19).

17. Lease Liabilities

Lease liabilities

	2021 £000	2020 £000
Within 1 year	**1,136**	1,303
In 2 to 5 years	**4,269**	3,930
Greater than 5 years	**1,316**	2,791
	6,721	8,024

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.

18. Loan from related party

	2021 £000	2020 £000
Loan from related party	**47,250**	63,000
	47,250	63,000

In December 2020 Liverpool Victoria Insurance Company Limited (LVIC), another company within the LVGIG Group, provided a loan of £63,000,000 to LVIM. This loan will be repaid over 4 years, up to and including December 31, 2024 and carry interest at the Bank of England base rate +3%. A guarantee from Allianz SE was put into place to support LVIC's regulatory solvency position. The principle terms of the guarantee are as follows:
- Guarantee fee: LVIC will pay Allianz SE an amount of 0.96% of the amount of the outstanding loan facility per annum and in return, Allianz SE will guarantee that it will pay the outstanding loan balance in the event that LVIM cannot meet obligations as they fall due.
- Automatic extension: The guarantee will extend automatically every year for another year (subject to payment of the guarantee fee by LVIC) until December 31, 2024, unless it is cancelled by Allianz SE after giving 3 months prior notice.

19. Provisions

	Dilapidations £000	**Property Lease £000**	**Onerous contracts £000**	**Total £000**
At January 1, 2021	**489**	**-**	**223**	**712**
Provided during the year	**115**	**-**	**-**	**115**
Utilised during the year	**-**	**-**	**(219)**	**(219)**
Released during the year	**(80)**	**-**	**(4)**	**(84)**
At December 31, 2021	**524**	**-**	**-**	**524**

	Dilapidations £000	Property Lease £000	Onerous contracts £000	Total £000
At January 1, 2020	-	2,873	223	3,096
Provided during the year	489	-	-	489
Utilised during the year	-	(1,332)	-	(1,332)
Released during the year	-	(1,541)	-	(1,541)
At December 31, 2020	489	-	223	712

The dilapidations and onerous contract provisions primarily relate to one of the property leases held by the Company.

20. Trade and other payables

	2021 £000	2020 £000
Accruals	**-**	108
Other payables	**-**	516
	-	624

The carrying value of trade and other payables is £nil (2020: £624k). LVGIG now serves as one of the main management services companies in the AZH group and as a result, these balances are now recorded in LVGIG.

21. Called up share capital

	2021 £000	2020 £000
Ordinary shares, allotted and fully paid		
1,045,001 (2020: 1,045,001 ordinary shares of £1 each)	**1,045**	1,045
	1,045	1,045

All authorised shares have been issued.

22. Accumulated losses

	2021 £000	2020 £000
Balance at January 1	**(261)**	7,273
Loss for the year	**(957)**	(7,534)
Balance at December 31	**(1,218)**	(261)

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 LVGIG Group companies:

	2021 £000	2020 £000
Management charge income (with LVIC*, LVRS* and HICO*)	**20,182**	53,063
Loan repayment and interest (with LVIC)	**17,640**	-
	37,822	53,063

*Liverpool Victoria Insurance Company Limited (LVIC)
*LV Repair Services Limited (LVRS)
*Highway Insurance Company Limited (HICO)

Balances outstanding between the Company and LVGIG:

	2021 £000	2020 £000
Receivable from LVGIG	**(8,571)**	(7,759)
	(8,571)	(7,759)

LVGIG settles any intercompany balances outstanding with the Company on behalf of LVIC and HICO. The £8,571k above includes £479k of accrued income (2020: £nil).

Balances outstanding between the Company and LVIC:

	2021 £000	2020 £000
Payable by the Company	**47,250**	63,000
	47,250	63,000

24. Ultimate parent company

The immediate parent company is Liverpool Victoria General Insurance Group Limited ('LVGIG'), a limited liability company, incorporated in the UK.

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

Copies of the Allianz SE Group financial statements are available on request from the ultimate parent's registered address, Allianz SE, Königinstrasse 28, 80802 München, Germany.