

COMPANY REGISTRATION NUMBER: 08747294

LV COMMERCIAL MORTGAGES LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022



LV COMMERCIAL MORTGAGES LIMITED
REPORT AND FINANCIAL STATEMENTS 2022

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LV COMMERCIAL MORTGAGES LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

D E Hynam Appointed 17 November 2022
B Cudmore Appointed 04 February 2022, Resigned 25 May 2023
M R Hanscomb Appointed 04 February 2022
S K Percival Appointed 25 May 2023
C Walker Resigned 28 February 2022
M P Hartigan Resigned 30 September 2022

Company Secretary

M P Jones

Registered office

Frizzell House
County Gates
Bournemouth
Dorset
BH1 2NF

LV COMMERCIAL MORTGAGES LIMITED
COMPANY NUMBER 08747294

STRATEGIC REPORT

The Directors submit their strategic report for LV Commercial Mortgages Limited (the 'Company') for the year to 31 December 2022.

1. Results and dividends

The profit for the year was £164,000 (2021: £76,000) as set out on page 8. The Directors did not approve any dividends in the year (2021: £nil).

2. Principal Activity

The principal purpose of the Company is to originate commercial loans secured on real estate property.

3. Business Review and future prospects

During the year, the Company originated four new commercial loans, with a total value of £71m (2021: Eight new loans totalling £188m), with a further £20m of existing lending being extended by two years from the point it would have originally matured in 2022.

At 31 December 2022, the Company had originated commercial mortgage loans, fair-valued on the Liverpool Victoria Financial Services Limited (LVFS) Statement of Financial Position, at a total value of £398m (2021: £395m).

The margin in the commercial real estate lending market was very deal specific over the course of 2022, while corporate bond spreads showed significant volatility this did not have a direct read across into commercial mortgage spreads. Volumes remained below the longer-term average with banks significantly reducing their funding into the sector presenting an opportunity for alternative lenders. The Company has continued to target prospects where there is less competition either through regional bias, requirement for speed of execution or loan size while maintaining high underwriting standards to ensure risk is well managed and appropriately rewarded. The Company also targeted higher quality loans, typically through lower leverage and in less recession sensitive assets.

4. Key performance indicators

The Board sets key performance indicators (KPIs) and targets, which it monitors on a regular basis throughout the year. These KPIs change from time to time as objectives and priorities change. The Company's principal KPIs are:

- New Business Volumes
- Yield
- Sector concentrations

New Business Volumes

The Company tracks new loans against plan.

Yield

The portfolio is managed to target a minimum spread over government bonds. For balanced risk management and returns, consideration is given to lower yielding but higher quality assets, where incremental spreads over bonds warrant investment.

Sector concentrations

The Company targets prospects by preferred sector concentrations, with particular attention paid to industry cycles. While in the period of portfolio ramp up, the current portfolio concentration is measured against limits based on a fully invested portfolio.

Based on the lending achieved, the profit margins targeted in the pricing of the Company's lending, and the level of expenditure incurred, the Directors are confident that long-term profitability will be achieved.

STRATEGIC REPORT

5. Principal Risks and Uncertainties

The Company looks to maintain a high quality control environment in all of its activities. The Board monitors all risks throughout the year and executes its strategy to ensure that the risks assumed remain within the risk appetite established by the parent, LVFS. The principal risks of the Company are set out below.

Operational risk

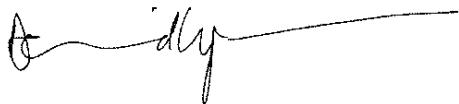
As well as the specific risks impacting the Company listed above, the Company is exposed to a range of operational risks which impact the whole LVFS Group. Key operational risks facing the Group include:

- **Political, economic and regulatory uncertainty** - The risk of a reduction in solvency, policyholder value or customer returns resulting from prolonged uncertainty within the political, economic and regulatory landscape.
- **Strategic transformation** – The execution risks associated with pursuing LVFS's strategic priorities.
- **IT sustainability** – The risk that capability and capacity issues in relation to the Group's IT systems lead to significant operational or customer risk events.
- **Cyber security** - The risk of customer data loss or a severe reduction in customer service as a result of a cyber-event.
- **People risk** – The risk that strategic initiatives are not delivered as planned or operational or conduct risks arise as a result of not having sufficient people, our people do not have the right skills and experience or that they are over stretched.
- **Conduct risk** - The risk that key operational controls are ineffective, resulting in poor member or customer outcomes.

These risks are managed at a Group level and further details in relation to these are disclosed in the LVFS Annual Report.

Further information detailing the Company's financial risk management and control can be found in note 4.

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON BEHALF OF THE BOARD



D E Hynam
Director
19 June 2023

LV COMMERCIAL MORTGAGES LIMITED
COMPANY NUMBER 08747294

DIRECTORS' REPORT

The Directors submit their annual report and the unaudited financial statements for LV Commercial Mortgages Limited (the 'Company') for the year to 31 December 2022.

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;
- Principal risks and uncertainties;
- Business review and future prospects.

1. Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 3.

2. Employees

The Company utilised the staff and premises of Liverpool Victoria Financial Services Limited (LVFS) in carrying out its activities in the year. No staff costs have been recharged to the Company as the services the staff provide are considered incidental to those provided to LVFS.

3. 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 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.

4. Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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 UK-adopted International Accounting Standards. 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LV COMMERCIAL MORTGAGES LIMITED
COMPANY NUMBER 08747294

DIRECTORS' REPORT

5. Going concern

The Directors have assessed the level of capital resources and the liquidity of the Company and have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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



M P Jones
Company Secretary
19 June 2023

LV COMMERCIAL MORTGAGES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Fee and commission income	5	2,221	1,039
Total income		2,221	1,039
Other operating and administrative expenses	6	(2,019)	(945)
Total expenses		(2,019)	(945)
Profit before tax		202	94
Income tax expense	8	(38)	(18)
Profit for the year		164	76
Total comprehensive income for the year		164	76

All results shown above are in relation to continuing operations.

The notes on pages 12 to 19 are an integral part of the financial statements.

LV COMMERCIAL MORTGAGES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Attributable to equity holders of the Company		
		Share capital	Retained earnings	Total equity
		£000	£000	£000
Balance at 1 January 2022		-	681	681
Profit and total comprehensive income for the year	13	-	164	164
Balance at 31 December 2022		-	845	845

	Note	Attributable to equity holders of the Company		
		Share capital	Retained earnings	Total equity
		£000	£000	£000
Balance at 1 January 2021		-	605	605
Profit and total comprehensive income for the year	13	-	76	76
Balance at 31 December 2021		-	681	681

The notes on pages 12 to 19 are an integral part of the financial statements.

LV COMMERCIAL MORTGAGES LIMITED

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Assets			
Cash and cash equivalents	9	2,503	1,885
Total assets		2,503	1,885
Liabilities			
Trade and other payables	10	1,620	1,186
Current tax liability	11	38	18
Total liabilities		1,658	1,204
Equity			
Share capital	12	-	-
Retained earnings	13	845	681
Total equity		845	681
Total liabilities and equity		2,503	1,885

The notes on pages 12 to 19 are an integral part of the financial statements.

Audit Exemption Statement

For the year ended 31 December 2022 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 its financial statements for the period 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 financial statements on pages 8 to 19 were approved by the Board of Directors on 19 June 2023 and signed on its behalf by



D E Hynam
Director
19 June 2023

LV COMMERCIAL MORTGAGES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Cash and cash equivalents at 1 January		1,885	1,445
Cash flows arising from:			
Operating activities			
Cash generated from operating activities	14	636	454
Group relief paid	11	(18)	(14)
Net cash flows generated from operating activities		618	440
Financing activities			
<i>Net increase in loans secured on commercial properties</i>		70,613	188,021
Beneficial interest sold to parent company		(70,613)	(188,021)
Net cash flows generated from financing activities		-	-
Net cash increase in cash and cash equivalents		618	440
Cash and cash equivalents at 31 December	9	2,503	1,885

The notes on pages 12 to 19 are an integral part of the financial statements.

LV COMMERCIAL MORTGAGES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

LV Commercial Mortgages Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards ('IFRS').

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value. The primary economic environment in which the Company operates in is the United Kingdom. The financial statements are presented in sterling, which is the Company's presentation and functional currency.

The preparation of the financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The Company has not used any significant estimates or judgements in preparing the financial statements in conformity with IFRS.

The Directors have assessed the level of capital resources and the liquidity of the Company and have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

LV COMMERCIAL MORTGAGES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies continued

SIGNIFICANT ACCOUNTING POLICIES

Fee and commission income

Fee and commission income is recognised in the Statement of Comprehensive Income as performance obligations are satisfied.

Fee and commission income relates to arrangement fee income, including amounts paid by the ultimate parent, LVFS, on all loans purchased in the year.

Other operating and administrative expenses

Other operating and administrative expenses are accounted for as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are recognised when they fall due. They are initially measured at fair value and subsequently at amortised cost.

Income taxes

The income tax expense represents the current year corporation tax charge. It reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses.

- Current income tax

Current income tax liabilities and assets are measured at the amount expected to be paid 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.

Share capital

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

LV COMMERCIAL MORTGAGES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies continued

CHANGES IN ACCOUNTING POLICIES

(i) New and amended standards adopted in the year

There were no new standards, interpretations or amendments to standards and interpretations effective for accounting periods beginning on or after 1 January 2022 that were relevant for adoption by the Company.

(ii) New standards and interpretations not yet adopted

There are no new standards or amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2022 that will have a significant impact on the financial statements of the Company.

Future transition to UK GAAP

The ultimate parent, Liverpool Victoria Financial Services Limited, intends to transition to UK GAAP with effect from 1 January 2023. Accordingly the Board of the Company has concluded that it is appropriate for the Company to also transition to UK GAAP in order to ensure consistency of accounting policies with the ultimate parent. The necessary restatements and reconciliations from IFRS to UK GAAP will be included in the Company's 2023 financial statements where applicable.

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

3. Capital Management

The Company retains capital to meet three key objectives:

- (i) To ensure financial stability and to meet all Company regulatory requirements;
- (ii) To enable the Company's strategy to be developed; and
- (iii) To give confidence to consumers and other stakeholders who have a relationship with the Company.

At least annually, these objectives are reviewed and benchmarks are set by which to judge the adequacy of the Company's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Company. In the event that sufficient capital is not available, plans would be developed to raise additional capital through, for example, a capital injection from the parent company. If it becomes apparent that excess capital is available to the Company above its potential needs, plans would be developed to return such excess to shareholders.

LV COMMERCIAL MORTGAGES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. Risk management and control

The Company seeks to create value for its shareholder by maintaining an appropriate balance between the capital available to support risk and the level and type of risk it takes on in order to achieve returns.

The LVFS Group recognises the critical importance of having efficient and effective risk management systems in place and these take the form of:

- Board and Executive committees with clear terms of reference.
- A clear organisation structure with documented apportionment of responsibilities.
- A uniform methodology of risk assessment, which is embedded within all companies in the LVFS Group so that they operate within agreed tolerances and with appropriate controls in place.
- Regular reviews of risks by senior managers, where frequency of review is determined by the potential impact of the risk and its likelihood.

Other than as detailed below, the Directors consider that the Company is not exposed to any significant risk in other areas.

Credit Risk

Credit risk is the risk of loss due to counterparties failing to meet all or part of their obligations when due.

Policies are in place to control the major components of credit risk, including counterparty default and concentration risk. The Company places limits on its exposure to a single counterparty, or groups of counterparties, and to industry segments. The table below shows the credit profile of the company's assets.

	Neither past due nor impaired					Total
	AAA	AA	A	BBB	Not rated	
Credit risk exposure 2022	£000	£000	£000	£000	£000	£000
Bank Balances	-	-	2,503	-	-	2,503
Total	-	-	2,503	-	-	2,503

	Neither past due nor impaired					Total
	AAA	AA	A	BBB	Not rated	
Credit risk exposure 2021	£000	£000	£000	£000	£000	£000
Bank Balances	-	-	1,885	-	-	1,885
Total	-	-	1,885	-	-	1,885

LV COMMERCIAL MORTGAGES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Risk management and control continued

Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient available liquid assets to meet its obligations as they fall due. Sources of liquidity risk have been identified and systems are in place to measure, monitor and control liquidity exposures. Liquidity is maintained at a prudent level, with a buffer to cover contingencies.

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations.

Maturity profile of financial liabilities

		Within 1 year	Over 1 year	Total
Maturity profile of financial liabilities 2022	Notes	£000	£000	£000
Trade and other payables	10	1,620	-	1,620
		1,620	-	1,620

		Within 1 year	Over 1 year	Total
Maturity profile of financial liabilities 2021	Notes	£000	£000	£000
Trade and other payables	10	1,186	-	1,186
		1,186	-	1,186

The Company is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to be met as they fall due. All financial assets are due within one year.

5. Fee and commission income

	2022 £000	2021 £000
Fee and commission income	2,221	1,039
	2,221	1,039

6. Other operating and administrative expenses

	2022 £000	2021 £000
Investment management expenses and charges	2,019	945
	2,019	945

LV COMMERCIAL MORTGAGES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Directors emoluments

The emoluments of the directors are paid by the ultimate parent company which makes no recharge to the Company. The directors are also directors of Liverpool Victoria Financial Services Limited (and/or 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 Financial Services Limited.

8. Income tax expense

a. Current year tax expense

	2022 £000	2021 £000
Current year tax expense		
Corporation tax	38	18
Total current tax	38	18

Total income tax expense	38	18
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b. Reconciliation of tax charge

The tax assessed for the period is equal to the effective rate of corporation tax in the UK (19%).

	2022 £000	2021 £000
Profit before tax	202	94
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	38	18
Total tax charge for the period	38	18

At Budget 2021, the Government announced that the Corporation tax main rate for the years starting 1 April 2021 and 1 April 2022 would remain at 19%. The rate will increase to 25% for the year beginning 1 April 2023.

9. Cash and cash equivalents

	2022 £000	2021 £000
Bank balances	2,503	1,885
Cash and cash equivalents	2,503	1,885

LV COMMERCIAL MORTGAGES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Trade and other payables

	2022	2021
	£000	£000
Amounts due to parent undertaking	822	429
Other creditors	151	345
Accruals and deferred income	647	412
	1,620	1,186

All trade and other payables are due within one year

11. Current tax liability

	2022	2021
	£000	£000
Balance at 1 January	18	14
Amounts recorded in the statement of comprehensive income	38	18
Amounts paid in respect of group relief	(18)	(14)
Balance at 31 December	38	18

12. Share capital

	2022	2021
	£000	£000
Ordinary shares, allotted and fully paid		
1 issued ordinary share of £1 (2021: 1 issued ordinary share of £1)	-	-

13. Retained profit

	2022	2021
	£000	£000
Balance at 1 January	681	605
Retained profit for the period	164	76
At 31 December	845	681

14. Cash generated from operating activities

	2022	2021
	£000	£000
Profit before tax	202	94
Changes in working capital		
Increase in trade and other payables	434	360
Cash generated from operating activities	636	454

LV COMMERCIAL MORTGAGES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15. Related party transactions

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

The following transactions have taken place between the Company and LVFS:

	2022	2021
	£000	£000
Beneficial interest in loans sold to LVFS	70,613	188,021
Fee and commission income received from LVFS	2,221	1,039
Amounts paid in respect of group relief	(18)	(14)

Balances outstanding between the Company and the Group:

	2022	2021
	£000	£000
Payable by the Company	822	429

Key management personnel of the Group include all directors, executive and non-executive, and senior management (the Board and the Executive Committee). The emoluments of the key management personnel are paid by the ultimate parent company which makes no recharge to the Company.

16. Ultimate parent company

The ultimate and immediate parent company and ultimate controlling party is Liverpool Victoria Financial Services Limited (LVFS), a UK private company limited by guarantee registered under the Companies Act 2006.

The largest and smallest company whose financial statements this company is consolidated into is LVFS. The consolidated financial statements of LVFS are available to the public and may be obtained from:

The Company Secretary
County Gates
Bournemouth
Dorset
BH1 2NF

or at www.lv.com/about-us/company-information/annual-report