Registered number: 02998217

Annual Report and Financial Statements 2023

Highway Insurance Group Limited

Contents

Company Information

Directors	M P Crane (appointed 4 December 2023 and resigned 30 April 2024) M P Milliner (appointed 24 November 2023 and resigned 26 April 2024) S Raffard (appointed 1 July 2023) H Topham (appointed 24 November 2023) S Treloar (resigned 30 June 2023) K P Wenzel (resigned 14 September 2023) The following director was appointed after the year end: N J George (appointed 18 July 2024)
Company secretary	C M Twemlow
Registered office	57 Ladymead Guildford Surrey GU1 1DB
Registered number	02998217
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Strategic Report for the Year Ended 31 December 2023

The Directors present their Strategic Report year ended 31 December 2023.

Principal activities

Highway Insurance Group Limited ("HIG", "the 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. The Company is also a subsidiary of Liverpool Victoria General Insurance Group Limited ("LVGIG") and acts as a holding company for Highway Insurance Company Limited ("HICO").

Business review

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 11. The loss after tax for the year amounted to £31,000k (2022: £35,000k).

The Company reviewed the value of its investment in the subsidiary company, HICO. The carrying value of HICO is £198,163k at 31 December 2023, which includes a capital injection of £45,000k during 2023.

In 2023, the review of the Net Asset Value over that carrying value indicated the need to complete an impairment assessment. The Company relied upon the value in use method and impaired the carrying amount of the underlying subsidiary, HICO by £31,000k.

Key performance Indicators ("KPIs")

The financial key performance indicators monitored by the Company are loss before tax and net asset value. The loss before tax for the year amounted to £31,000k (2022: £35,000k), and net assets are £198,226k (2022: £184,226k).

Principal risks and uncertainties

We continually assess the principal risks and uncertainties facing our business, monitoring potential impacts and where necessary implementing mitigation and management solutions.

The primary uncertainty relevant to the Company would be whether the carrying value of its investment in subsidiary undertaking HICO is supportable.

Due to the high-inflationary environment, pricing has been a challenging area for HICO as well as the broader market. In particular, to achieve a sufficient level of rate that covers claim inflation whilst being commercial but also competitive. These challenges are likely to continue into 2024.

Future outlook

No changes in the principal activity of the Company are anticipated in the foreseeable future.

Market conditions will remain competitive during 2024 driven by peers continuously investing in their capabilities. The Company continues to experience a high inflation environment in 2024. Whilst inflation is expected to decrease during the year, there is a risk of a trend reversal, especially driven by global political instability which can impact supply chains. Economic conditions will continue to be monitored.

Strategic Report for the Year Ended 31 December 2023 (continued)

Going concern

The Directors, having undertaken an assessment, are confident in the Company's ability to continue as a going concern. The business is well placed in managing the principal risks and uncertainties, has a strong capital position and is owned by one of the largest property and casualty insurers in the world.

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.

On behalf of the Board

N J George
Director

18 September 2024

Directors' Report for the Year Ended 31 December 2023

The Directors present their audited annual report and financial statements for the year ended 31 December 2023.

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 for the year;
- Principal activities of the Company;
- Business review and future prospects;
- Principal risks and uncertainties.

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

Directors
The Directors, who held office during the year, and up to the date of signing the financial statements, were as follows:

M P Crane (appointed 4 December 2023 and resigned 30 April 2024)

M P Milliner (appointed 24 November 2023 and resigned 26 April 2024)

S Raffard (appointed 1 July 2023)

H Topham (appointed 24 November 2023)

S Treloar (resigned 30 June 2023)

K P Wenzel (resigned 14 September 2023)

The following director was appointed after the year end:

N J George (appointed 18 July 2024)

Results and dividends
The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 11. A review of the Company's business activities and any likely future developments can be found in the Strategic Report on page 2.

No interim dividend was paid for the year ended 31 December 2023 (2022: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: £nil).

Future outlook
The future outlook for the Company is outlined in the Strategic Report on page 2.

Going concern
The going concern assessment for the Company is outlined in the Strategic Report on page 3.

Directors' responsibility to the auditors
So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report for the Year Ended 31 December 2023 (continued)

Independent Auditors

Pursuant to section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will have been deemed to be re-appointed as auditors at the end of 28 days beginning with the day on which copies of these report and financial statements are sent to Members.

By order of the Board

C M Twemlow
Company secretary

18 September 2024

Statement of Directors' responsibilities in respect of the financial statements

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 UK-adopted international accounting standards.

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 apply them consistently;
- state whether applicable UK-adopted international accounting standards 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 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 also 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 responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

N J George
Director

18 September 2024

Independent auditors' report to the directors of Highway Insurance Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Highway Insurance Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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, which comprise: the Statement of Financial Position as at 31 December 2023; the Statement of Profit and Loss and Other Comprehensive Income, Statement of Cash Flows 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 2023 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 Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 of inappropriate journals and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with the Board and management, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Obtaining management's impairment analysis for the valuation of investment in group undertakings and challenging the assumptions made;
- Identifying and testing journal entries, in particular any journal entries that are determined to demonstrate fraud characteristics; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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 directors 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.

William Lewis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 September 2024

Statement of Profit and Loss and Other Comprehensive Income
For the Year Ended 31 December 2023

	Note	2023 £'000	2022 £'000
Impairment of investment in group undertakings	6	(31,000)	(35,000)
Loss before tax		**(31,000)**	**(35,000)**
Income tax expense	4.1	-	-
Loss for the year wholly attributable to the equity holder		**(31,000)**	**(35,000)**

There has been no other comprehensive income in the year ended 31 December 2023 (2022: £nil)

The accounting policies and notes on pages 15 to 23 are an integral part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2023

	Note	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2022		41,756	20,470	132,192	(192)	194,226
Loss for the year		-	-	-	(35,000)	(35,000)
Total comprehensive income		**-**	**-**	**-**	**(35,000)**	**(35,000)**
Capital injection	6	-	-	25,000	-	25,000
At 31 December 2022		**41,756**	**20,470**	**157,192**	**(35,192)**	**184,226**

	Note	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2023		41,756	20,470	157,192	(35,192)	184,226
Loss for the year		-	-	-	(31,000)	(31,000)
Total comprehensive income		**-**	**-**	**-**	**(31,000)**	**(31,000)**
Capital injection	6	45,000	-	-	-	45,000
At 31 December 2023		**86,756**	**20,470**	**157,192**	**(66,192)**	**198,226**

The accounting policies and notes on pages 15 to 23 are an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2023

	Note	2023 £'000	2022 £'000
Assets			
Investments in group undertakings	6	198,163	184,163
Deferred tax assets	4.3	1	2
Cash and cash equivalents	7	62	61
Total assets		**198,226**	**184,226**
Equity and liabilities			
Equity			
Share capital	10	(86,756)	(41,756)
Share premium	10	(20,470)	(20,470)
Capital contribution reserve	9	(157,192)	(157,192)
Accumulated losses		66,192	35,192
Total equity		**(198,226)**	**(184,226)**
Liabilities			
Total equity and liabilities		**(198,226)**	**(184,226)**

These financial statements on pages 11 to 23 were approved by the Board of Directors on 3 September 2024 and signed on its behalf by:

N J George
Director
18 September 2024

Highway Insurance Group Limited
Registered Number: 02998217

The accounting policies and notes on pages 15 to 23 are an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended 31 December 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Loss before tax		**(31,000)**	**(35,000)**
Adjusted for non-cash items			
Impairment of investment in group undertakings	6	31,000	35,000
Cash generated from operations		**-**	**-**
Income tax received/(paid)	4.2	1	(7)
Net cash flow generated from/(used in) operating activities		**1**	**(7)**
Net increase/(decrease) in cash and cash equivalents		**1**	**(7)**
Cash and cash equivalents at the beginning of the year		**61**	**68**
Cash and cash equivalents at end of year	**7**	**62**	**61**

The accounting policies and notes on pages 15 to 23 are an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2023

1 ACCOUNTING POLICIES

1.1 Company and its operations

Highway Insurance Group Limited is a private company limited by shares, incorporated in England and Wales and domiciled in the United Kingdom.

1.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The principal activity of the Company is as a holding company.

1.3 Basis of preparation

The Company is exempt from the obligation to prepare and deliver group financial statements by virtue of the Companies Act 2006 (Section 401 1a) as it is a subsidiary undertaking of an EU parent (Allianz SE) (see note 11). The financial statements present information about the Company as an individual undertaking and not about its Group.

The financial statements have been prepared on the historical cost basis.

The functional and presentational currency is British Pounds.

Going concern

The financial statements have been prepared on a going concern basis. For more information on the going concern assessment please refer to Going Concern within the Strategic Report on page 3.

New standards and interpretations adopted by the Company

There are no new standards and interpretations affecting the Company that are mandatorily effective from 1 January 2023. The accounting policies have been consistently applied unless a new policy has been implemented.

New standards and interpretations not yet adopted by the Company

New standards and interpretations which are not mandatorily effective have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early; instead it will apply the standards from the effective date as determined by the date of UK Endorsement Board ("UKEB").

1.4 Summary of significant accounting policies

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

The significant policies applied in the preparation of the financial statements are set out in the following paragraphs:

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(a) Investment in group undertakings

Investments in group undertakings are shown in the Statement of Financial Position at cost less impairment. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment assessment compares the carrying amount of the investment in the subsidiary with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount is higher than the recoverable amount, an impairment is recognised in the Statement of Profit and Loss and Other Comprehensive Income in the period in which it occurred.

The Company is exempt from preparing group financial statements by virtue of the Companies Act 2006, as it is a subsidiary undertaking of an EU parent (see note 11).

(b) Income taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income tax credit/(expense). Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, together with adjustments to tax payable in respect of prior years.

Deferred tax is provided in full using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the Statement of Financial Position date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date.

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets are reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Group tax losses are utilised when available. Consideration paid for group relief is accounted for in the financial statements as though the payment has been made to the relevant tax authorities.

(c) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Statement of Profit and Loss and Other Comprehensive Income in those expense categories consistent with the function of the impaired asset.

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(c) Impairment of assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with an original maturity of three months or less at the date of placement.

(e) Share premium

Share premium account includes any premium received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium account, net of any related income tax benefits.

(f) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

(g) Capital contribution reserve

Capital contribution reserve represents capital contributions received from the parent company and is classified as equity.

2 USE OF CRITICAL ESTIMATES, ASSUMPTION AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the use of estimates. The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical judgements, estimations and assumptions that the Directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below:

Assumptions used in the valuation of the subsidiary company

Where the net asset value of the subsidiary falls below the cost of investment in the subsidiary, the valuation is based on the subsidiary's value in use. The value in use is based on the future cash flows forecast into perpetuity and calculated as at the end of the period, based on financial plans approved by the Directors covering a three year period, with a further two year period of projection and discounted to its present value. See further information in the Investments in group undertakings note 6.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

3 AUDITORS' REMUNERATION

Liverpool Victoria General Insurance Group Limited ("LVGIG") is responsible for the management and administration of the Company. The audit remuneration in respect of audit services for the Company is £10k (2022: £11k) and is borne by LVGIG.

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

4 INCOME TAX

4.1 Income tax recognised in the Statement of Profit and Loss

	2023 £'000	2022 £'000
Current taxation		
In respect of current year	(1)	-
Total current tax	**(1)**	**-**
Deferred taxation		
In respect of the current year	1	-
Total tax charge/(credit) recognised in the current year	**-**	**-**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2023 £'000	2022 £'000
Loss before tax	**(31,000)**	**(35,000)**
Income tax at standard rate 23.5% (2022: 19%)	**7,285**	**6,650**
Decrease from effect of expenses not deductible in determining taxable loss	(7,285)	(6,650)
Income tax charge/(credit) recognised in profit or loss	**-**	**-**

The UK Government announced its intention in the budget of 3 March 2021 to legislate to increase the rate of corporation tax from 19% to 25% with effect from 1 April 2023. This legislation was substantively enacted on 24 May 2021.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

4 INCOME TAX (CONTINUED)

The Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules

The Allianz SE group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the UK, the jurisdiction in which the Company is incorporated, and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Allianz SE group has no related current tax exposure. The Allianz SE group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Allianz SE group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion Rules ("GloBE") effective tax rate per jurisdiction and the 15% minimum rate. The Allianz SE group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation cannot yet be reliably estimated. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The Allianz SE group is currently engaged with tax specialists to assist it with applying the legislation.

4.2 Tax paid for cash flow purposes

	2023 £'000	2022 £'000
Current tax payable at 1 January	-	7
Movements in deferred tax asset in other comprehensive income	(1)	-
Tax received/(paid) during the year	1	(7)
Current tax payable at 31 December	**-**	**-**

4.3 Deferred tax balances

Deferred tax assets

	2023 £'000	2022 £'000
The balance comprises temporary differences attributable to:		
Capital allowances	1	2
Total deferred tax assets	**1**	**2**

Movements	**Capital allowances £'000**	**Total £'000**
At 1 January 2022	2	2
At 31 December 2022	**2**	**2**
Charged to profit and loss	(1)	(1)
At 31 December 2023	**1**	**1**

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

4 INCOME TAX (CONTINUED)

4.3 Deferred tax balances (continued)

	2023 £'000	2022 £'000
Deferred tax asset	1	2
Current deferred tax asset	1	-
Non-current deferred tax asset	-	2

5 DIRECTORS' EMOLUMENTS

The remuneration of K P Wenzel and S Raffard was paid by Allianz Management Services Limited (“AMS”) and the remuneration of M Crane, M P Milliner, H Topham and S Treloar was paid by Liverpool Victoria General Insurance Group Limited (“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.

6 INVESTMENTS IN GROUP UNDERTAKINGS

Subsidiaries	**£'000**
Cost or valuation	
At 1 January 2022	**194,163**
Capital injection	25,000
Impairment	(35,000)
At 31 December 2022	**184,163**
At 1 January 2023	**184,163**
Capital injection	45,000
Impairment	(31,000)
At 31 December 2023	**198,163**
Carrying amount	
At 31 December 2023	**198,163**
At 31 December 2022	**184,163**

Details of the subsidiaries as at 31 December 2023 and 31 December 2022 are as follows:

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

6 INVESTMENTS IN GROUP UNDERTAKINGS (CONTINUED)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2023	2022
Highway Insurance Company Limited	Insurance underwriting	England and Wales	100%	100%

On 9 June 2023, the Company made a permanent capital contribution of £45,000k to Highway Insurance Company Limited (“HICO”). As at 31 December 2023, the carrying value of HICO was £229,163k. Comparing the Net asset value with this carrying value has indicated the need to undertake an impairment assessment. The Company has relied upon the value in use method and impaired the value of the underlying subsidiary, HICO by £31,000k.

The recoverable amount (based on value-in-use calculations) of the investments in group undertakings has been determined using cash flow predictions of the subsidiary, based on financial plans approved by the Company covering a five-year period.

These plans are revisited in the third quarter of each year, with reforecasts taking place at earlier intervals where these are felt necessary. All key functions in the business are involved in their development, before review and challenge by the Board. In undertaking the impairment assessment, management has taken account of the competitive market environment, and the assumption that the market is not disrupted by competitor behaviour. The plan is on a pre-quota share basis in line with Allianz practice.

Investment returns were determined in consultation with our inhouse Investment Management team. The forecast cash flows have been discounted at a pre-tax rate of 12.4% and terminal growth rate of 1.5% applied to cash flows from 2026 onwards. Both the terminal growth rate and the discount rate are consistent with the ranges observed in the market place. However, after sensitivity analysis was performed it showed that the base case discounted cash flows are most sensitive to a change in loss ratios, given the current inflationary environment a prudent view was taken into consideration and the loss ratios were increased in the plan which indicated an impairment. Based on the above assumptions and prudent view considered with regard to the loss ratios, the value in use amount gave rise to a £31,000k deficit over the carrying amount and the value of HICO was impaired down to £198,163k. This has been recognised in “Impairment of investment in group undertakings” in the Statement of Profit and Loss and Other Comprehensive Income.

7 CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash at bank and in hand	62	61
Total cash and cash equivalents	**62**	**61**

8 EMPLOYEE RELATED COSTS

The Company has no employees (2022: none) and as such incurs no employee related costs (2022: £nil).

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

9 CAPITAL CONTRIBUTION RESERVE

	2023 £'000	2022 £'000
Balance at 1 January	157,192	132,192
Capital contribution	-	25,000
	157,192	**157,192**

During 2023, capital contributions were received in the form of share capital.

10 EQUITY

Share capital - allotted, called up and fully paid

	2023 No.	2023 £	2022 No.	2022 £
Ordinary shares of £0.20 each	433,780,674	86,756,134.80	208,780,674	41,756,134.80

During 2023, 225,000,000 ordinary shares totalling £45,000k were issued as a capital injection from LVIC to HIG.

11 SHARE PREMIUM

	2023 £'000	2022 £'000
Share premium	20,470	20,470

Share premium relates to the premium paid over the nominal value of shares issued by the Company.

12 RISK MANAGEMENT POLICIES

Capital management

The Company's capital risk is determined with reference to the requirements of the AzH Group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At 31 December 2023 the Company had £198,226k (2022: £184,226k) of total capital employed.

The Company solely invests in a subsidiary based in the United Kingdom. The operations of its subsidiary are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the UK.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

13 PARENT AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Liverpool Victoria Insurance Company Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party Allianz Societas Europaea, 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.

The most senior parent entity producing publicly available financial statements is Allianz SE. These financial statements are available upon request from their registered office address of Allianz SE, Königinstrasse 28, 80802 München, Germany

14 SUBSEQUENT EVENTS

There have been no subsequent events after the Statement of Financial Position date.