Registered number: 00096205

Annual Report and Financial Statements 2022

Trafalgar Insurance Limited

Trafalgar Insurance Limited

Contents

Company Information

Directors	C N Dixon F K Dyson S C McGinn
Company secretary	C M Twemlow
Registered office	57 Ladymead Guildford Surrey GU1 1DB
Registered number	00096205
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report for the year ended 31 December 2022.

Principal activities
Trafalgar Insurance Limited (“the Company”, "TIL") ceased underwriting activity in 2006 and since that date has been actively managing the settlement and run-off of the remaining insurance contract liabilities.

The Company is a member of the Association of British Insurers and is regulated by the Financial Conduct Authority ("FCA") and authorised and regulated by the Prudential Regulation Authority ("PRA"). Its activities are covered by the Financial Ombudsman Service. The Company is a member of the Allianz Holdings plc group of companies ("Allianz", "the Group").

Business Review
The Company formerly underwrote motor policies solely for brokers who were shareholders in Broker Direct Plc. The Company ceased underwriting private car business in 2004 and commercial vehicles in 2006. The Company’s business operations are now solely in connection with the management of the run-off of the insurance contract liabilities. In the second quarter of 2024, management intend to transfer all insurance related liabilities and assets under Part VII of the Financial Services & Markets Act 2000 ("Part VII") to Liverpool Victoria Insurance Company Limited ("LVIC") a fellow subsidiary of the Group. Once the Part VII transfer is complete the Company will be liquidated, as such, the Annual Report and Financial Statements have been prepared on a basis other than going concern.

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 15. The profit after tax for the year amounted to £13k (2021: £43k loss). The profit for the year arose from investment income after deducting costs incurred relating to claims liabilities and other operating costs.

Key performance indicators
The key financial performance indicators monitored by the Company are total comprehensive income for the year wholly attributable to the equity holders, equity and MCR coverage ratio.

The total comprehensive income for the year wholly attributable to the equity holders amounted to £16k (2021: £53k expense). At the year end, the Company had equity of £7,860k (2021: £7,847k) and a MCR coverage ratio of 218% (2021: 233%). The increase in equity during the year is a result of the total comprehensive income for the year wholly attributable to the equity holders.

The Company does not monitor any non-financial key performance indicators.

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. Details of our principal risks and uncertainties can be found below and in note 17.

The Risk Function, alongside Internal Audit and Compliance, monitor both known and unknown risks that could affect Allianz, while collaborating with the business units to mitigate any identified issues. In 2022, particular focus was on:

- **Inflation and the macro-economic environment** - Inflation continues to bring material uncertainty to current and future performance, driven by supply chain issues and materials shortages, rising energy costs, claims inflation costs and increased general expenses. This challenge is likely to extend into the medium term in the context of an expected UK recession.
- **Conduct risk** - The Company continues to focus on the importance of doing the right thing for our customers, recognising and responding to the needs of those more vulnerable in the current economic climate. In 2022, we continued to enhance our activities, management information and oversight of Conduct Risk throughout the business.
- **Information Security** - Throughout 2022 further enhancements were made to the capabilities and effectiveness of the Group's cyber defences and abilities to Prevent, Detect and Respond to the risks posed by cyber threats.

Strategic Report for the Year Ended 31 December 2022 (continued)

- **Integrated Risk and Control System ("IRCS")** - The annual IRCS review cycle was completed throughout 2022, with a particular focus on risk control assurance and continuing to maintain and enhance risk management across the business. IRCS includes the assessment of main risks the Company faces, the key controls in place to mitigate identified risks and key risk indicators for early warning of any issues. No material weaknesses or significant deficiencies arose in 2022.

Future outlook

Management intend to complete a transfer of all insurance related liabilities and assets under a Part VII transfer from the Company to LVIC by the second quarter of 2024 and subsequently liquidate the Company. The Company will continue to manage the run-off of its insurance contract liabilities until the Part VII transfer is complete. Further detail of these plans are set out in the Going concern section below.

Going concern

The Directors, having undertaken an assessment of the valuation of all assets and liabilities, consider that the Company has sufficient resources to continue operating for the foreseeable future and continue to meet all its liabilities and obligations as they fall due.

The Directors have commenced a project to complete a Part VII transfer of all insurance related liabilities and assets from the Company to LVIC, a fellow subsidiary of the Group . It is intended that as part of the Part VII the Company will no longer have any insurance related liabilities or assets, and therefore, should the Part VII be sanctioned by the court, the Directors intend to take subsequent actions to liquidate the Company. It is anticipated that the Part VII and liquidation will be achieved by the second quarter of 2024, and as such it is no longer considered appropriate to prepare these financial statements on a going concern basis. This has not resulted in any adjustments to the valuation of any financial statement line items. It is further noted that the conclusions made around the Company having sufficient resources to continue operating for the foreseeable future apply in the scenario of the Part VII proceeding, but also if it should not.

The Company has considered all additional legal and liquidation costs which may result from wind down and Part VII transfer of the Company's insurance related contract liabilities and assets of the business. It has been concluded that no additional provision for cost is required as all costs associated with the wind up and Part VII transfer will be borne by other Group companies.

Section 172(1) Companies Act 2006 Statement

Section 172 (1) of the Companies Act 2006 requires the Directors of a company to act in a way that promotes the success of the Company for the benefit of its members as a whole. The Directors of the Company are committed to promoting a healthy corporate culture and understand that striving to achieve the Company's strategic aims will ultimately increase the value for the Company, its parent, the Group and the wider Allianz SE Group.

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 have acted in a way that they considered, both individually and collectively, 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 Allianz Insurance plc ("AZI"), which is part of the Group. 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 customers, 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.

Group strategy and stakeholder considerations are understood by the Company's Directors as they are members of the AZH Board and/or its Executive Committee or the Executive Committee of the Allianz Commercial trading division. However, while oversight is carried out at Group level, any decisions put to the Company's Board are considered from the perspective of the Company and its stakeholders, including consideration of the matters set out in section 172 of the Companies Act 2006. The Board met twice during the year to discuss matters relevant to the Company's business.

Strategic Report for the Year Ended 31 December 2022 (continued)

Stakeholder Engagement

Management intend to complete a transfer of all insurance related liabilities and assets under a Part VII transfer from the Company to LVIC by the second quarter of 2024 and subsequently liquidate the Company. The Company will continue to manage the run-off of its insurance contract liabilities until the Part VII transfer is complete.

Details of the Company's engagement activities in relation to its stakeholders are detailed below:

Customers

The Company's claims handling services are provided by the Group's experienced team. The services include ongoing supervision, claims handling skills, maintenance of system records (for both internal and any regulatory purposes) and continuity of service.

Regulators

The Company is regulated by the FCA and authorised and regulated by the PRA. Maintaining a good relationship with the Company's regulators is a priority for the Board and regulatory considerations are given close scrutiny when making decisions.

Regulations, guidance, policy statements, Dear CEO letters, Dear CRO letters, reports and other forms of publication issued by the Company's regulators from time to time are examined and discussed by the AZH Board, its Executive Committee and the Executive Committee of the Allianz Commercial trading division to the extent relevant and taken into account by the Company when considering matters for approval. Where appropriate these deliberations are minuted. Other engagement methods with regulators include regular meetings and more detailed reviews at the Group level. The Group prides itself on maintaining a candid and transparent relationship with all of its regulators. In relation to its regulatory requirements, the Board reviewed and approved its relevant Solvency II reports.

Shareholder

The Company has regard to the interests of both its parent, AZI, and the wider Group when making decisions. Engagement is enabled by way of the Board members also being members of the Board of AZH and/or its principal Executive Committee, and/or the Executive Committee of the Allianz Commercial trading division.

Community and the Environment

As a subsidiary of the Group, the Company is acutely aware of the broader impact it has on its various environments, its customers and society in general, and adheres to and participates in the Group's corporate social responsibility policies and practices.

Employees

The Company does not employ any staff. During the year, Allianz Management Services Limited ("AMS") a company within the Group, provided administration services and staff to the Company and to other Group companies. AMS has a high level of resources and expertise to benefit the Company.

Board decision-making

During the year, the Board considered financial and risk related matters and undertook solvency monitoring including approval of the Company's Annual Report and Financial Statements and approval of its Solvency and Financial Condition Report. In reviewing and approving these important statutory and regulatory reports the Board had regard to its fiduciary and regulatory responsibilities and in reviewing the investment reports, the need to promote the success of the Company for the benefit of its shareholder.

Strategic Report for the Year Ended 31 December 2022 (continued)

Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Group and the Company conduct business. When strategic and operational decisions are considered by the Board, the broader impacts on stakeholders are taken into account and this approach is embedded within the Group governance structure.

On behalf of the Board

F K Dyson
Director

5 April 2023

Directors' Report for the Year Ended 31 December 2022

The Directors present their audited Annual Report and financial statements for the year ended 31 December 2022.

Stakeholder Engagement statement
Details of how the Board has had regard to the need to foster the Company's business relationships with customers, regulators, suppliers and other stakeholders and the effect of that regard on the principal decisions taken by the Company's Board is contained in the Section 172(1) statement on page 3 of the Strategic Report.

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

C N Dixon

F K Dyson

S C McGinn

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.

Results and dividends
The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 15. 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 during the year ended 31 December 2022 (2021: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: £nil).

Future outlook
The future outlook for the Company is outlined in the Strategic Report on page 3.

Financial Instruments
The Company's policies in respect of financial instruments are given in note 17 to the Financial Statements.

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

One.Finance
In 2016, the Allianz SE Group launched a project "One.Finance". Included in the objectives is compliance with the forthcoming standards IFRS 9 "Financial instruments" and IFRS 17 "Insurance contracts". The project includes the development of central IT systems to support the analysis of investments and impairment tests required by IFRS 9 as well as supporting the calculation of insurance reserves required by IFRS 17. The Company has established parallel work streams in the UK supporting the overall Allianz SE Group project and to ensure local readiness. The implementation date of IFRS 9 and IFRS 17, is 1 January 2023. Parallel runs have been completed for prior years.

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 2022 (continued)

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

By order of the Board

C M Twemlow
Company secretary

5 April 2023

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 then 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 financial statements published on the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

On behalf of the Board

F K Dyson
Director

5 April 2023

Independent auditors' report to the members of Trafalgar Insurance Limited

Report on the audit of the financial statements

Opinion

In our opinion, Trafalgar Insurance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 and Financial Statements 2022 (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2022; the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Our audit approach

Overview

Audit scope

- We performed a full scope audit of the financial statements of the company in accordance with our risk assessment and materiality. In doing so, we also considered qualitative and quantitative factors across all financial statement line items in the financial statements.

Key audit matters

- Valuation of Insurance Contract Liabilities

Materiality

- Overall materiality: £78.6k (2021: £78.6k) based on 1% of the Net Assets.
- Performance materiality: £58.9k (2021: £58.9k).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of Insurance Contract Liabilities
The valuation of Insurance Contract Liabilities is a significant accounting estimate in the financial statements and involves a significant degree of subjectivity and judgment.
The company has been in run-off for a number of years, however, retains some Insurance Contract Liabilities in relation to Periodic Payment Orders ("PPOs”).

Our primary area of focus this year is the risk that inflation and longevity assumptions in respect of PPOs are inappropriate. This is because these are the key assumptions in determining the quantum of reserves for these liabilities and there is significant judgment involved in the determination of these assumptions, particularly as they require long term assumptions to be made in respect of longevity and inflation.

Refer to Note 1 for accounting policies for Insurance Contract Liabilities, and Notes 2, 14 and 15 for disclosure of the related judgements and estimates.</td><td>In performing our audit over the Insurance Contract Liabilities we have used actuarial specialists as part of our team to conduct some of the testing. Our procedures included:

• Testing the methodologies and assumptions used by management to derive their provision for claims reported as at 31 December 2022, and whether these produced reasonable estimates based on the company's facts and circumstances.
• Testing the valuation of PPO liabilities using our cash-flow model and the directors’ assumptions, as well as examining all material assumptions within the directors’ model. We have then compared our estimates to those booked by the directors.

In performing the above, we have also tested the following:
• The underlying relevant data (including but not limited to claims case estimates and paid claims) to relevant audit evidence.
• Directors’ assessment of estimation uncertainty.
• Assessed the disclosures in the financial statements including those in relation to the legal issue on the PPOs as disclosed in Note 14.

Based on the work performed and evidence obtained, we consider the value of the Insurance Contract Liabilities to be appropriate.</td></tr>
</table>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company is a UK domiciled insurer. In determining the scope of the audit, we performed risk assessment procedures which included understanding the business operations, the internal control environment and management's process for the preparation of the financial statements. We applied our materiality benchmark across each financial statement line item to identify which line items were significant to the audit of the company.

Where the work was performed by the Allianz SE group auditor, we determined the level of involvement we needed as the company audit team with those auditors to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We maintained regular and timely communication with the group auditor including video and phone calls and discussions, where appropriate.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company’s financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company’s financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£78.6k (2021: £78.6k).
How we determined it	1% of the Net Assets
Rationale for benchmark applied	We consider net assets as the primary measure used by the shareholders in assessing the insurance run-off activities of this company.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £58.9k (2021: £58.9k) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3.9k (2021: £3.9k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 2022 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 and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, 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 the valuation of Insurance Contract Liabilities and the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussing with the Board of Directors, management, internal audit, senior management involved in the risk and compliance functions and the company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessing matters included on the company's fraud report and the results of management's investigation of such matters;
- Engaging our PwC actuaries to examine the methodologies and assumptions used by management in valuing the insurance contract liabilities;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Attending relevant meetings of the Audit Committee and reviewing meeting minutes, including those of the Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management; 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 9 May 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2018 to 31 December 2022.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 April 2023

Statement of Profit and Loss and Other Comprehensive Income
For the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Investment income	3	134	21
Total revenue		**134**	**21**
Gross insurance claims paid	14	(272)	(226)
Reinsurers' share of gross insurance claims paid	14	199	174
Gross change in insurance liabilities	14	(145)	(7)
Reinsurers' share of gross change in insurance liabilities	14	109	4
Net insurance claims		**(109)**	**(55)**
Administrative expenses	4	(9)	(19)
Total claims and expenses		**(118)**	**(74)**
Profit/(loss) before tax		**16**	**(53)**
Income tax (charge)/credit	7.1	(3)	10
Total comprehensive income/(expense) for the year wholly attributable to the equity holders		**13**	**(43)**

There has been no other comprehensive income in the year ended 31 December 2022 (2021: £nil).

The accounting policies and notes on pages 19 to 35 are an integral part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	13	6,000	1,890	7,890
Loss for the year		-	(43)	(43)
Total recognised comprehensive expense for the year wholly attributable to the equity holders		**-**	**(43)**	**(43)**
At 31 December 2021		**6,000**	**1,847**	**7,847**

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	13	6,000	1,847	7,847
Profit for the year		-	13	13
Total recognised comprehensive expense for the year wholly attributable to the equity holders		**-**	**13**	**13**
At 31 December 2022		**6,000**	**1,860**	**7,860**

The accounting policies and notes on pages 19 to 35 are an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Assets			
Reinsurance assets	10, 14	7,393	7,284
Insurance and other receivables	11	8,921	9,055
Cash and cash equivalents	12	58	54
Total assets		**16,372**	**16,393**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	13	(6,000)	(6,000)
Retained earnings		(1,860)	(1,847)
Total equity		**(7,860)**	**(7,847)**
Liabilities			
Insurance contract liabilities	14	(8,457)	(8,312)
Accruals and other payables	16	(52)	(199)
Current tax liabilities	7.3	(3)	(35)
Total liabilities		**(8,512)**	**(8,546)**
Total equity and liabilities		**(16,372)**	**(16,393)**

These financial statements on pages 15 to 35 were approved by the Board of Directors on 4 April 2023 and signed on its behalf by:

F K Dyson
Director

Trafalgar Insurance Limited
Registered Number: 00096205

The accounting policies and notes on pages 19 to 35 are an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Cash flows from operating activities			
Profit/(loss) before tax		**16**	**(53)**
Investment income	3	(134)	(21)
		(118)	**(74)**
Changes in working capital			
Increase in reinsurance assets	10	(109)	(4)
Decrease in insurance and other receivables	11	268	4
Increase in insurance contract liabilities	14	145	7
(Decrease)/increase in accruals and other payables	16	(182)	92
Cash (used in)/generated from operations		**4**	**25**
Net investment income received		-	21
Income tax paid	7.2	-	(46)
Net cash flow generated from operating activities		**4**	**-**
Net increase in cash and cash equivalents		**4**	**-**
Cash and cash equivalents at the beginning of the year	**12**	**54**	**54**
Cash and cash equivalents at the end of the year	**12**	**58**	**54**

The accounting policies and notes on pages 19 to 35 are an integral part of these financial statements.

1 ACCOUNTING POLICIES

1.1 Company and its operations
Trafalgar Insurance Limited is a private limited company incorporated in England and Wales and domiciled in the United Kingdom, whose shares are not publicly quoted.

1.2 Statement of compliance
The financial statements of the Company have been prepared on a basis other than going concern (break-up basis) and approved by the Directors 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.

1.3 Basis of preparation
The financial statements have been prepared on the historical cost basis. The functional and presentational currency is British Pounds.

Going concern
The Directors, having undertaken an assessment of the valuation of all assets and liabilities, consider that the Company has sufficient resources to continue operating for the foreseeable future and continue to meet all its liabilities and obligations as they fall due.

Management have commenced a project to complete a Part VII transfer of all insurance related liabilities and assets from the Company to LVIC, a fellow subsidiary of the Group. It is intended that as part of the Part VII the Company will no longer have any insurance related liabilities or assets, and therefore should the Part VII be sanctioned by the court, the Directors are intended to take subsequent actions to dissolve the Company. It is anticipated that the Part VII and liquidation will be achieved by the second quarter of 2024, and as such it is no longer considered appropriate to prepare the financial statements on a going concern basis. This has not resulted in any adjustments to the valuation of any financial statement line items. It is further noted that the conclusions made around the Company having sufficient resources to continue operating for the foreseeable future apply in the scenario of the Part VII proceeding, but also if it should not.

In anticipation of the Part VII transfer, the Company has continued to measure and recognise assets and liabilities under IFRS accounting standards and only deviated from these where there is an adequate justification to do so. A detailed review has been undertaken of the valuation of all assets and liabilities on the Statement of Financial Position. There was no change in the recoverability of the assets and no additional liabilities to be recognised. There has been no impact on these financial statements following the change of basis and reporting on a basis other than going concern compared with applying the going concern principles.

These financial statements have been prepared on a basis other than going concern. For more information on the going concern assessment please refer to the Strategic Report on page 2.

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 2022. 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 UKEB endorsement Board ("UKEB").

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

IFRS 17 - Insurance Contracts

In May 2017 the International Accounting Standards Board (“IASB”) issued IFRS 17 and it was amended in June 2020 and December 2021. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4. The effective date of the new standard was postponed until 1 January 2023. The latest amendment issued by the IASB on 9 December 2021 adds a transition option that permits an entity to apply a classification overlay in the comparative periods presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative periods in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The Company intends to apply the classification overlay, including the impairment requirements of IFRS 9, consistently to all eligible financial instruments.

IFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. It introduces three new measurement models, namely the General measurement model (“GMM”), Variable fee approach (“VFA”) and Premium allocation approach (“PAA”), reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance. The Company has assessed the insurance contracts issued and the work completed to date suggest that these would be PAA eligible.

The PAA is a simplified approach for the measurement of the liability of remaining coverage. An entity may choose to use this when the coverage period of each contract in the group of insurance contracts is one year or less or the PAA provides a measurement which is not materially different from that under GMM. Under PAA, the Company measures the carrying amount of the liability for remaining coverage ("LRC") at the end of each reporting period as the:

- Liability for remaining coverage at the beginning of the period;
- Plus premiums received in the period;
- Minus insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period and
- Minus the amount not recognised as insurance revenue for the coverage period.

The measurement of the liability for incurred claims ("LIC") is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting.

Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts.

In the Statement of Financial Position, insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the Statement of Profit and Loss and Other Comprehensive Income need to be disaggregated into an insurance service result, consisting of the insurance revenue, insurance service expense and directly attributable expenses. Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts issued.

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

Expected accounting policy application of IFRS 17

- Portfolios have been established comprising of contracts subject to similar risks that are managed together. Groups of contracts will be established according to profitability.
- All gross and reinsurance contracts will use the PAA.
- All costs have been reviewed to identify the key changes from IFRS 4 to IFRS17. An assessment has been performed to determine costs which are not fully attributable to the fulfilment of insurance contracts. This assessment suggests there would be no impact to the net income as these non-attributable costs are included elsewhere in the Statement of Profit and Loss and Other Comprehensive Income.
- Reinsurance/Insurance contract assets and Reinsurance/Insurance contract liabilities have both been presented under IFRS 17 to align with the requirement to recognise insurance liabilities (or assets) and reinsurance assets (or liabilities) respectively within liabilities or assets on the Statement of Financial Position.

A number of key judgments have been made for the application of IFRS17:

- Whilst IFRS 17 does not prescribe a single estimation technique to derive discount rates, it sets out two possible approaches: a ‘top-down’ and a ‘bottom-up’ approach. The ‘top-down’ approach determines the discount rate based on the yield on a reference portfolio of assets which is adjusted downwards to eliminate any factors that aren’t relevant to insurance contracts. The ‘bottom-up’ approach determines the discount rate based on a liquid risk-free yield curve which is adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the insurance contract. The ‘bottom-up’ approach can be used for cashflows that don’t vary based on the return on the underlying items. This is the case for the Company and the ‘bottom-up’ approach will be adopted.
- The risk adjustment will be calculated using a cost of capital based approach.

At the point of transition the Company has applied the fully retrospective approach for LIC balances back to accident year 2014 with prior accident year balances applying the modified retrospective approach due to the impracticability of acquiring all required data.

IFRS 17 has to be applied retrospectively unless this is impracticable. Under the full retrospective approach fulfillment cash flows are determined prospectively at every reporting date, including the date of initial application. The objective of the modified retrospective approach is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to full retrospective application. To the extent a retrospective determination is not possible, certain modifications are allowed. Under the fair value approach, the CSM of a group of contracts at transition is determined as the difference between the fair value of this group at transition determined in accordance with IFRS 13 and the corresponding IFRS 17 fulfillment cash flows measures at transition. As detailed above the transition approach for the Company has been confirmed.

The Company has completed parallel runs of the financial results under IFRS 17 in line with the “One.Finance” project to understand the impact of these changes. Although the IFRS 17 implementation project has made significant progress, the financial results that are available are in line with Allianz SE Group accounting requirements.

From a local perspective work is still on-going to calculate the impact of adoption and as such it is not practicable to quantify the effects on the Company’s IFRS 17 opening balance sheet for the fiscal year 2022 or on any financial statements for subsequent periods.

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

IFRS 9 - Financial Instruments

IFRS 9 ‘Financial Instruments’ replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’ and changes the classification and measurement of financial assets, based on the business model under which they are held, as well as hedge accounting requirements and recognising expected credit losses (“ECL”). The Company, based on the impact assessment performed under One.Finance, has taken advantage of the exemption available as its activities are predominantly insurance related to defer applying IFRS 9 'Financial Instruments' (which would otherwise be applicable for annual reporting periods beginning on or after 1 January 2018) until 1 January 2023, which will coincide with the expected implementation of IFRS 17. IFRS 9 introduces a forward looking ECL model. This requires judgement about how changes in economic factors affect ECLs which are determined on a probability weighted basis. Based on the assessment undertaken to date, no significant impact to the financial statements is anticipated in either net income or equity.

In order to qualify for the temporary exemption an entity has to prove that its activities are predominantly connected to insurance as of 31 December 2015. Under the amended IFRS 4, this condition is met if the insurer carries significant liabilities arising from contracts within the scope of IFRS 4. Significant insurance-related liabilities are given, among others, if the percentage of the total carrying amount of liabilities within the scope of IFRS 4 relative to the total carrying amount of all liabilities is greater than 90%. A reassessment at a subsequent annual reporting date is required if, and only if, there was a change in the Company's activities during the annual period that ended on that date.

As of 31 December 2015, the Company‘s total carrying amount of liabilities connected with insurance amounted to £8,228k which represented more than 90% of its total liabilities of £8,543k. No change in the activities of the Company has occurred subsequently that would have required a reassessment.

The following table discloses whether the financial assets meet the solely payments of principal and interest (“SPPI”) criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, or that is managed and whose performance is evaluated on a fair value basis).

Financial assets under IFRS 9 classification rules:

As at 31 December 2022	**Financial assets that meet the SPPI criterion**		**Financial assets that do not meet the SPPI criterion**	
	Fair value £ 000	**Fair Value change during the year £ 000**	**Fair Value £ 000**	**Fair Value change during the year £ 000**
Cash and cash equivalents	58	-	-	-
Total	**58**	**-**	**-**	**-**

As at 31 December 2021	**Financial assets that meet the SPPI criterion**		**Financial assets that do not meet the SPPI criterion**	
	Fair value £ 000	**Fair Value change during the year £ 000**	**Fair Value £ 000**	**Fair Value change during the year £ 000**
Cash and cash equivalents	54	-	-	-
Total	**54**	**-**	**-**	**-**

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

Carrying amounts of financial assets that meet the SPPI criterion by rating:

As at 31 December 2022

Investment grade	Cash and cash equivalents £ 000
AAA	-
AA	-
A	58
BBB	-
Non-investment grade	-
Total	**58**

As at 31 December 2021

Investment grade	Cash and cash equivalents £ 000
AAA	-
AA	-
A	54
BBB	-
Non-investment grade	-
Total	**54**

1.4 Summary of significant accounting policies

The Company has identified the accounting policies that are most significant to its business operations and the understanding of its results. The accounting policies which involve the most complex or subjective decisions or assessments relate to insurance contract liabilities. In each case, the determination of these is fundamental to the financial results and position and requires management to make complex judgements based on information and financial data that may change in the future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce significantly different results. Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of significant adjustments in the next year are discussed in note 2.

The significant accounting policies adopted in the preparation of the financial statements are set out in the following paragraphs.

(a) Income taxes

Income tax on the profit or loss for the year comprises current tax. Income tax is recognised in the income tax charge.

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.

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

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(b) Reinsurance assets

The Company cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due for ceded insurance liabilities. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amounts due to it under the terms of the contract and that this can be measured reliably. Impairment losses are recognised in administrative expenses.

(c) Insurance receivables

Insurance receivables are initially recognised and subsequently re-measured at amortised cost after taking into account any impairment losses. Carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit and Loss and Other Comprehensive Income.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in administrative expenses.

(d) Other receivables

Other receivables are initially recognised and subsequently re-measured at amortised cost after taking into account any impairment losses. Other receivables shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

(e) 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 at the date of placement.

(f) Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

(g) Accruals and other payables

A provision is recognised when the Company has a present legal or constructive obligation, as a result of a past event, which it is probable, will result in an outflow of resources and when a reliable estimate of the amount of the obligation can be made. If the effect is significant, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment for the time value of money and, where appropriate, the risk is specific to the liability.

(h) Insurance contract liabilities

Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the Statement of Financial Position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures, the ultimate cost of which cannot be known with certainty at the Statement of Financial Position date.

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(h) Insurance contract liabilities (continued)

At each Statement of Financial Position date, a liability adequacy test is performed, to ensure the adequacy of insurance liabilities. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any inadequacy is immediately recognised in gross change in insurance liabilities by establishing an unexpired risk provision.

(i) Revenue recognition

Investment income

Interest income is recognised in investment income as it accrues, taking into account the effective yield of the asset or an applicable floating rate.

(j) Claims incurred

Claims incurred include all losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

2 USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Valuation of general insurance contract liabilities

For general insurance contracts, estimates are made for the expected ultimate cost of claims reported as at the Statement of Financial Position date and the cost of claims incurred but not yet reported (“IBNR”) to the Company. The Company has been in run-off since 2007 and no newly reported claims are expected. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided.

The annuity type structure of Periodic Payment Orders (“PPOs”) claim payments means that these have to be projected over a long period and reserved for on a discounted basis accordingly.

Significant accounting estimate – Insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the most critical accounting estimate for the general insurance business. Estimates are made for the expected ultimate cost of claims as at the Statement of Financial Position date and the cost of claims incurred but not yet reported. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided.

The main source of uncertainty is the two PPO claims which are projected over a long time period and are sensitive to assumed future inflation.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Significant judgement applied to estimate
While management believes the insurance contract liabilities carried at year end are adequate, the application of statistical techniques requires significant judgement.

The estimation of the PPO claims is based on a discounted cashflow approach with assumptions required around claimant life expectancy and future inflation.

The carrying value at the Statement of Financial Position date for these general insurance contracts is £8,457k (2021: £8,312k).

3 INVESTMENT INCOME

	2022 £ 000	2021 £ 000
Interest income	134	21
Total investment income	**134**	**21**

4 ADMINISTRATIVE EXPENSES

	2022 £ 000	2021 £ 000
Administrative expenses	9	19
Total administrative expenses	**9**	**19**

5 EMPLOYEE RELATED COSTS

The Company has no employees (2021: none) and as such incurs no employee related costs (2021: £nil). AMS, a company within the Group, provides services and staff resources to the Company as well as to other Group Companies.

6 AUDITORS' REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by AMS. Other services supplied pursuant to legislation were £nil (2021: £nil).

	2022 £ 000	2021 £ 000
Fees payable to the Company's auditors and associates	43	39

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 INCOME TAX

7.1 Income tax recognised in profit and loss

Tax charged/(credited) in the Statement of Profit and Loss and Other Comprehensive Income

	2022 £ 000	2021 £ 000
Current taxation		
In respect of the current year	3	(10)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit/(loss) before tax	**16**	**(53)**
Corporation tax at standard rate	**3**	**(10)**
Total tax charge/(credit)	**3**	**(10)**

7.2 Tax paid for cash flow purposes

	2022 £ 000	2021 £ 000
Current tax payable at 1 January	35	91
Amounts charged/(credited) to profit and loss	3	(10)
Tax paid during the year	(35)	(46)
Current tax payable at 31 December	**3**	**35**

7.3 Current tax payable

	2022 £ 000	2021 £ 000
Current tax payable	**3**	**35**

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.

8 DIRECTORS' EMOLUMENTS

The remuneration of F K Dyson, S C McGinn and C N Dixon is paid by AMS. AMS is a subsidiary of Allianz and a Group services company and makes no recharge to the Company for such costs. The aforementioned individuals provide services to the Group and a number of its subsidiaries including the Company and it is not possible to make an accurate apportionment of an individual's remuneration in respect of their role as Director of the Company. Accordingly, no remuneration is being disclosed for such individuals.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 DIVIDENDS

No interim dividend was paid during the year ended 31 December 2022 (2021: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: £nil).

10 REINSURANCE ASSETS

	2022 £ 000	2021 £ 000
Reinsurers' share of insurance contract liabilities	7,393	7,284
Total reinsurance assets	**7,393**	**7,284**

For the current and non-current split, refer to note 14.

11 INSURANCE AND OTHER RECEIVABLES

	2022 £ 000	2021 £ 000
Due from reinsurers[(1)]	172	103
Amounts due from related parties[(2)]	8,736	8,940
Other receivables	13	12
Total insurance and other receivables	**8,921**	**9,055**

[(1)] Included in amounts due from reinsurers are balances due from related parties of £71k (2021: £69k).

[(2)]Included in amounts due from related parties is £8,644k (2021: £8,690k) due from the Allianz SE Group cash pool (an Allianz SE treasury service which optimises surplus cash returns by investing in short term money market instruments).

The carrying amounts disclosed above reasonably approximate fair values at year end. All of the Company's insurance and other receivables are due within 12 months of the Statement of Financial position date.

12 CASH AND CASH EQUIVALENTS

	2022 £ 000	2021 £ 000
Cash and cash equivalents	58	54
Total cash and cash equivalents	**58**	**54**

13 EQUITY

Share capital - allotted, called up and fully paid

	2022 No.	2022 £	2021 No.	2021 £
Ordinary shares of £1 each	6,000,000	6,000,000	6,000,000	6,000,000

14 INSURANCE CONTRACT LIABILITIES

	2022 Insurance contract liabilities £ 000	2022 Reinsurers' share of liabilities £ 000	2022 Net £ 000	2021 Insurance contract liabilities £ 000	2021 Reinsurers' share of liabilities £ 000	2021 Net £ 000
Total general insurance contract liabilities	**8,457**	**(7,393)**	**1,064**	**8,312**	**(7,284)**	**1,028**
Current general insurance contract liabilities	240	(216)	24	221	(202)	19
Non-current general insurance contract liabilities	8,217	(7,177)	1,040	8,091	(7,082)	1,009

The provision for claims reported by policyholders and claims incurred but not yet reported can be analysed as follows:

	2022 Insurance contract liabilities £ 000	2022 Reinsurers' share of liabilities £ 000	2022 Net £ 000	2021 Insurance contract liabilities £ 000	2021 Reinsurers' share of liabilities £ 000	2021 Net £ 000
At 1 January	8,312	(7,284)	1,028	8,305	(7,280)	1,025
	8,312	**(7,284)**	**1,028**	**8,305**	**(7,280)**	**1,025**
Movement on claims incurred in prior accident years	417	(308)	109	233	(178)	55
Claims paid during the year	(272)	199	(73)	(226)	174	(52)
At 31 December	**8,457**	**(7,393)**	**1,064**	**8,312**	**(7,284)**	**1,028**

There has been no change in presentation and the current/non-current split for insurance contract liabilities and Reinsurers share of liabilities is still deemed appropriate on a basis other than going concern. The planned part VII transfer does not change the nature of underlying cashflows or timing of the payment of the insurance contract liabilities or Reinsurers share of liabilities.

Insurance cash flows are based on the expected date of settlement of the underlying policyholder claim. If the Company completes a part VII transfer, any liabilities which have not been settled at the date of transfer will be transferred as part of that process.

The two separate PPOs are associated with accidents that gave rise to claims against Trafalgar Insurance plc (now TIL) underwritten policies. In 2008, the PPOs were ordered by the respective courts and AZI was listed as the defendant insurer and is therefore legally responsible for complying with the obligations under the respective PPOs. Financially and operationally the liability under the PPOs has been dealt with by TIL. TIL and AZI signed a “Deed of indemnity” on 3 April 2023 (“Deed”). The Deed formally documents the roles and responsibilities that each of the parties have carried out since the creation of the respective PPOs, as such, this is not changing the arrangement or the accounting treatment but documenting what is understood to have happened in practice. TIL continues to be liable to indemnify AZI in respect of any and all liabilities arising in connection with the PPOs and the deed of indemnity has now formally documented this position.

15 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES

The Company formerly underwrote motor policies, ceasing private car business in 2004 and commercial vehicles in 2006. As a result, there is no exposure in 2007 or later years. Claims provisions are established to cover the ultimate costs of settling the liabilities in respect of claims that have occurred. The claims provision is determined on a case by case basis. No IBNR is required in respect of newly reported claims at this late stage of run-off. The claim experience is reviewed quarterly to ensure that there are no unexpected developments.

Outstanding claims provisions associated with the settlement of high value personal injury claims by way of PPOs established under the Courts Act 2003 are discounted for the time value of money. PPO reserves are £8,452k (2021: £8,307k) gross and £1,059k (2021: £1,023k) net of reinsurance. No new claims were reported in 2022 and the provision for non-periodical payments order claims is materially £nil. Whilst outstanding claims provisions for PPO claims are discounted for the time value of money, a discount rate of 0% is assumed as the assets are held as cash. The discounted and undiscounted outstanding claims provisions are therefore the same. The PPO outstanding claims provisions are sensitive to two main sources of uncertainty; inflation and life expectancy:

- An increase of inflation rate by 1% would increase the PPO reserves by £1,457k gross and £389k net (2021: £1,515k gross and £409k net)
- A decrease of inflation rate by 1% would decrease the PPO reserves by £1,191k gross and £318k net (2021: £1,229k gross and £332k net)
- An increase in life expectancy of 4 years would increase the PPO reserves by £1,980k gross and £260k net (2021: £1,946k gross and £254k net)
- A decrease in life expectancy of 4 years would decrease the PPO reserves by £1,967k gross and £252k net (2021: £1,932k gross and £245k net)

Loss development triangle

The total gross liability reserve as per the Balance Sheet in respect of accident years prior to 2022 is £8,457k (2021: £8,312k).

The total net liability reserve as per the Balance Sheet in respect of accident years prior to 2022 is £1,064k (2021: £1,028k).

No new losses have been incurred since the 2006 accident year.

Whilst the information provides a historical perspective on the adequacy of the unpaid claims estimates established on previous years, readers of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding as at the end of 2022 is adequate. However, due to the inherent uncertainties in the provisioning process, it cannot be assured that such balances will ultimately prove to be sufficient.

16 ACCRUALS AND OTHER PAYABLES

	2022 £ 000	2021 £ 000
Amounts due to related parties	52	199
Total accruals and other payables	**52**	**199**

The carrying amounts disclosed above reasonably approximate fair values at year end. All of the liabilities are payable within 12 months of the Statement of Financial Position date.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 RISK MANAGEMENT POLICIES

Before closing to new business in 2006 the Company underwrote the motor business of Broker Direct Plc which commenced business operations in 1997. The Company ceased underwriting private car business, which represented the bulk of the portfolio in 2004 and the remaining commercial vehicles business in early 2006. The business was wholly written in the UK and risk exposure was confined to the UK. The Company’s business operations are now limited to managing the run off of the insurance liabilities.

17.1 Insurance risk

The risk under an insurance contract is the risk that an insured event will occur, including the adequacy of the price charged for the risk and uncertainty as to the amount and time of any resulting claim. The principal risk that the Company faces under such contracts is that the actual claims will exceed the carrying value of insurance contract liabilities. This is influenced by the frequency of claims, severity of claims and other factors dependent upon the type of the insurance contract. By the nature of an insurance contract, insurance risk is random and unpredictable. Therefore the actual claims costs may exceed the estimated insurance contract liabilities.

To provide protection to the Company, reinsurance is purchased. Reinsurance placement is limited to a small number of highly regarded reinsurers in order to ensure as far as possible that reinsurance claims are met in full. Members of the Allianz SE Group of companies are the Company’s largest reinsurers.

As the Company is no longer underwriting new business, insurance risk is confined to whether actual claims will exceed insurance liabilities. Sensitivity to the potential impact of a change in the Ogden discount rate has been considered and has been deemed not significant as the Company holds reserves for settled PPOs only.

17.2 Financial risk

The Company is exposed to financial risk through its financial assets, including reinsurance assets, insurance and other receivables and cash and cash equivalents held primarily to meet obligations under insurance contract liabilities. The key financial risk is that proceeds from the realisation of assets are insufficient to meet obligations under insurance contracts. The most important aspects of financial risk comprise market risk, credit risk and liquidity risk.

17.3 Market risk

Market risk is the risk that changes in market prices will affect the value of the Company's assets and income. The Company's liabilities have very limited exposure to these movements.

i) Interest rate risk

Interest rate risk is the risk that interest rates will change, adversely affecting the market value of the assets that the Company has available to meet insurance contract liabilities. None of the Company's general insurance contracts include benefits which involve contractual interest payments.

Interest rate risk is generated primarily by the long duration of the remaining PPOs. At 31 December 2022 the average duration of the asset portfolio was 1 day (2021: 1 day) compared with the average duration of the insurance contract liabilities which is estimated to be 16.0 years (2021: 16.5 years).

ii) Inflation risk

Inflation risk is the risk that changes in inflation expectation will adversely affect the Company's net asset value. The Company's insurance contract liabilities are subject to changes in inflation, in particular PPO liabilities. The risk is managed by broadly matching the asset inflation sensitivity to the inflation sensitivity of the liabilities.

Impacts from COVID-19, Brexit and the Russia/Ukraine conflict such as supply chain disruption are driving a heightened level of inflation risk. This has led to inflationary pressure on injury and liability claims through delays in treatment for example. Inflationary trends are being monitored closely and are considered as part of the estimation of the ultimate cost of claims. The PPO outstanding claims provisions sensitivity to inflation is set out in note 15.

17 RISK MANAGEMENT POLICIES (CONTINUED)

17.3 Market risk (continued)

iii) Equity risk

Equity risk is the risk that the market price of managed funds will fall in value as a result of adverse stock market movements. The Company does not currently hold any traded equity holdings.

v) Currency risk

Currency risk is the risk that fluctuations in exchange rates may lead to a material change in the value of currency denominated assets or liabilities. All the Company's financial assets are denominated in sterling. There are no liabilities denominated in a foreign currency.

vi) Sensitivity to market risk

Analysis of the sensitivity of profit or loss before tax and total equity to changes in the assumptions used to measure general insurance contract provisions and reinsurance assets at the reporting date has not been disclosed as there have been no significant premiums or claims in the last three years.

17.4 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 cash and cash equivalents, reinsurance assets, insurance and other receivables.

The Company manages credit risk for financial assets and cash and cash equivalents by limiting the amount of exposure to individual counterparties. This is achieved through applying a comprehensive series of limits determined after taking into account publicly available credit ratings and such other information considered relevant. These limits restrict, dependent upon credit rating, the amount of financial assets exposed to each counterparty or where the counterparty is a member of a group the exposure to the group. The broad strategy is to limit the credit risk to tolerable levels whilst at the same time taking limited and controlled advantage of the additional returns which are available for additional risk.

The Company deems the risk associated with its cash and cash equivalents to be low as the cash balances are held with financial institutions with A credit ratings and are immediately available. The Company deems the risk associated with the reinsurance assets and insurance receivables to be low. If a reinsurer fails to pay a claim for any reason the Company remains liable for the payment to the policyholder. In view of the potential long term exposure from insurance risks reinsurance security is limited to a small number of highly regarded reinsurers that offer the best long term security. Reinsurance is only placed with companies that meet the Company’s strict security criteria. The largest counterparty risk at 31 December 2022 was £3,897k (2021: £3,754k).

2022	AAA	AA	A	Others not rated	Total
	£'000	£'000	£'000	£'000	£'000
Reinsurance assets	-	6,873	-	520	7,393
Due from reinsurers[(1)]	-	168	-	4	172
Amounts due from related parties and other receivables[(2)]	-	8,736	-	13	8,749
Cash and cash equivalents	-	-	58	-	58
Total	-	15,777	58	537	16,372
Percent	-	96.4	0.3	3.3	100.0

17 RISK MANAGEMENT POLICIES (CONTINUED)

17.4 Credit risk (continued)

2021	AAA	AA	A	Others not rated	Total
	£'000	£'000	£'000	£'000	£'000
Reinsurance assets	-	7,824	-	-	7,284
Due from reinsurers	-	61	-	42	103
Amounts due from related parties and other receivables(2)	-	8,940	-	12	8,952
Cash and cash equivalents	-	-	54	-	54
Total	-	16,285	54	54	16,393
Percent	-	99.4	0.3	0.3	100.0

(1) Included in amounts due from reinsurers are balances due from related parties of £71k (2021: £69k).

(2)Included in amounts due from related parties and other receivables is £8,644k (2021: £8,690k) due from the Allianz SE Group cash pool (an Allianz SE treasury service which optimises surplus cash returns by investing in short term money market instruments).

The following table provides information on the carrying value of reinsurance assets and amounts due from reinsurers. The Company has no financial assets or cash and cash equivalents that are impaired.

	2022		2021	
	Reinsurance assets	**Due from reinsurers**	**Reinsurance assets**	**Due from reinsurers**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Neither past due or impaired	7,393	172	7,284	103
Total	**7,393**	**172**	**7,284**	**103**

17.5 Liquidity risk

Liquidity risk is the risk that funds might not be available to settle obligations when they fall due. The Company is exposed to liquidity risk through its insurance contract liabilities. The Company has sufficient liquid assets to meet obligations as they fall due. In regards to liquidity risk associated with the other receivables along with cash and cash equivalents, these are readily realisable. As a result, the Company' s exposure to liquidity risk is low and in the risk capital model used by the Company no capital is allocated to this risk.

The following tables show information about the estimated timing of the contractual undiscounted cash flows from the Company's financial assets and liabilities. The analysis provided is by estimating timings of the amounts recognised in the Statement of Financial Position.

2022	**Carrying amount**	**Less than 1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**More than 10 years**
Non-derivative liabilities	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Insurance contract liabilities	8,457	240	231	723	1,301	5,962

17 RISK MANAGEMENT POLICIES (CONTINUED)

17.5 Liquidity risk (continued)

2021 Non-derivative liabilities	Carrying amount £ 000	Less than 1 year £ 000	1-2 years £ 000	2-5 years £ 000	5-10 years £ 000	More than 10 years £ 000
Insurance contract liabilities	8,312	221	220	688	1,242	5,941

The Company holds £8,644k (2021: £8,690k) in a cash pool with Allianz SE which is immediately available to settle obligations when they fall due.

Accruals and other payables are are all payable within 12 months of the Statement of Financial Position date.

17.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk.

Compliance with Company standards is supported by a programme of periodic reviews.

Capital management

The Company maintains sufficient capital to protect policyholders' and creditors' interests and satisfy regulators whilst creating shareholder value.

The level of capital required by the Company is determined by its risk appetite, approved by the Board. Under the Solvency II regime adopted by the PRA, there are two separate capital requirements; the Minimum Capital Requirement ("MCR") and the Solvency Capital Requirement ("SCR"). The SCR can be calculated using a Standard Formula, as specified in the regulatory text, or an Internal Model, which is unique to each firm and must be approved by the firm's local regulator. The Company used the Standard Formula to calculate its capital requirements throughout 2022. Capital held to back the SCR is of high quality and clearly meets the tests for the composition of capital laid down by the Solvency II Directive.

The Company is regulated in respect of prudential requirements (including capitalisation) by the PRA. The Company aims to hold capital sufficient to satisfy regulatory and shareholder requirements even after the occurrence of pre-specified financial market and insurance shocks. This risk appetite provides for a buffer above SCR to ensure that the Company is adequately capitalised in most expected circumstances.

The Company's capital comprises total shareholders' equity and amounts to £7,860k (2021: £7,847k).

The Company has complied with all externally and internally imposed capital requirements throughout the year. At 31 December 2022 the own funds amount to £7,586k with a surplus of 120% on MCR (2021: own funds amount to £7,429k with a surplus of 138% on MCR). The own funds and MCR are unaudited.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 PARENT AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is Allianz Insurance plc, a company registered in the UK.

The ultimate parent Allianz Societas Europaea ("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.

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.

19 RELATED PARTY TRANSACTIONS

Transactions with and balances from or to related parties

The Company enters into transactions with fellow group undertakings and key management personnel in the normal course of business. Details of transactions carried out during the year with related parties are as follows;

	2022 £ 000	2021 £ 000
Administrative and claims handling service fees	53	39
Reinsurers' share of gross insurance claims paid	90	140
Amounts transferred from cash pool	(46)	(189)

Year-end balances arising from transactions carried out with related parties are as follows:

	2022 £ 000	2021 £ 000
Due from related parties at 31 December		
Parent	91	181
Other related parties	8,716	8,759
Total	**8,807**	**8,940**

	2022 £ 000	2021 £ 000
Due to related parties at 31 December		
Other related parties	52	199
Total	**52**	**199**

The Company considers its key management personnel to be the Directors only. No charge (2021: £nil) was incurred by the Company in respect of the services of key management personnel provided by a separate management entity within the Group. Further information is disclosed in note 8.

20 SUBSEQUENT EVENTS

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