Registered number: 00209606

Avon Insurance plc
Annual Report 2014

AVON INSURANCE

Board of Directors

Chairman
Richard Percy, Bsc (Hons), M.A.E., A.R.Ag.S,

Chief Executive
Lindsay Sinclair

John Roberts, MA, A.C.I.I.

Mark Tinsley, Bsc (Hons), F.R.Ag.S.

Directors' Report

The principal activity of the Company is the transaction of Personal Accident insurance business.

Strategic Report

During 2014 Avon continued to operate a closed book of business, having transitioned its business model throughout 2013.

Gross written premium for the year was £35.9m compared to £38.8m in 2013. During the year, the company made a profit on ordinary activities before taxation of £14.5m (2013: £0.2m) and paid a dividend of £8m in 2014 (2013: £150m). The movement on the profit and loss reserves was £3.4m increase (2013: £150.2m decrease).

The profit continues to be underpinned by the personal accident book together with the investment performance of the company's fixed interest securities.

The company continues to maintain its financial strength with a strong solvency ratio of 271% compared to 237% in 2013, supported by both its continued profitability and legacy investment base.

The claims run-off from the Broker and Intermediary business continues to be managed as part of the parent company's outstanding claims.

Key Performance Indicators

	2014 £m	2013 £m
Gross Written Premium	35.9	38.8
Profit before tax	14.5	0.2
Solvency	271%	237%

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are Insurance risk and Financial risk. Other risks relate to the competitive environment, technology efficiencies and the skill base and performance of its employees.

Insurance Risk

The insurance risk with any one contract is twofold, firstly the uncertainty that an insured event will occur and secondly the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this is an estimate and therefore unpredictable.

These risks are managed through the Company's underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The run off book is fully reinsured by the Company's ultimate parent company, The National Farmers Union Mutual Insurance Society Limited.

The key components of financial risk are interest rate, credit and liquidity risk.

Interest Rate Risk

The financial assets of Avon Insurance plc are held in fixed interest stocks and gilts and as such are sensitive to interest rate changes. The investment portfolio is considered at Group level at the quarterly Market Risk Committee meetings.

Credit Risk

For the Personal Accident business, there is no premium credit risk exposure as monthly premiums are paid in advance of cover.

The creditworthiness of reinsurers are reviewed by the Group Reinsurance Security Committee. The Company considers that both its liquidity and capital position are sufficient to cover any default by a reinsurer. In terms of the claims run-off from the Broker and Intermediary business, an element of credit risk is carried by the parent via reinsurance.

Liquidity Risk

Liquidity is not seen as a significant risk for Avon Insurance plc, as premiums are received in advance. Liquidity positions are considered at a Group level at quarterly Market Risk Committee meetings.

Corporate governance matters are dealt with at Group level and are reported in detail in the parent Company's Annual Report.

Future Outlook

Over the coming years Avon will continue to focus on providing good levels of customer service to its existing customer base and maximising the financial return to Group while meeting our regulatory obligations.

Directors

The names of the current Directors are listed on page 1. Changes in Directorship during the year and since the end of the year are listed below.

M.P.Tinsley retired 31/12/2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practise (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

The Directors confirm that, so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all 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.

Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

Richard Percy
Chairman

Lindsay Sinclair
Group Chief Executive

Stratford-upon-Avon, 12 March 2015

Independent auditors' report to the members of Avon Insurance plc

Report on the financial statements

Our opinion

In our opinion, Avon Insurance plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Avon Insurance plc's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Accounts for the year then ended;
- the Cash Flow Statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 2014 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
12 March 2015

Profit and Loss Account
Technical Account

for the year ended 31 December	2014 £m	2013 £m
Gross premiums written (note 2)	35.9	38.8
	35.9	**38.8**
Outwards reinsurance premiums	(12.3)	(13.4)
Net premiums written	**23.6**	**25.4**
Change in the gross provision for unearned premiums	0.1	(0.2)
Change in the provision for unearned premiums, reinsurers' share	(0.1)	0.1
Change in the net provision for unearned premiums	**–**	**(0.1)**
Earned premiums, net of reinsurance	**23.6**	**25.3**
Total technical income	**23.6**	**25.3**
Gross claims paid	5.2	5.1
Reinsurers' share	(2.3)	(2.0)
Net claims paid	**2.9**	**3.1**
Change in gross provision for claims	13.2	6.6
Change in reinsurers' share	(14.2)	(4.1)
Change in the net provisions for claims	**(1.0)**	**2.5**
Claims incurred, net of reinsurance	**1.9**	**5.6**
Changes in other technical provisions, net of reinsurance	–	–
Net operating expenses (note 4)	10.7	18.2
Total Technical Charges	**12.6**	**23.8**
Surplus on the technical account – general business	**11.0**	**1.5**

Profit and Loss Account
Non-Technical Account

for the year ended 31 December	2014 £m	2013 £m
Surplus on the Technical Account – General Business	11.0	1.5
Investment income (note 5)	1.9	8.6
Unrealised gain / (loss) on investments (note 5)	1.6	(9.9)
Profit on ordinary activities before taxation *(note 8)*	**14.5**	**0.2**
Tax on profits on ordinary activities (note 9)	(3.1)	(0.4)
Profit / (Loss) for the financial year *(note 13)*	**11.4**	**(0.2)**

All results are derived from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalent.

Statement of Total Recognised Gains and Losses

for the year ended 31 December	2014 £m	2013 £m
Profit / (Loss for) the financial year	11.4	(0.2)
Revaluation of subsidiary	0.3	0.1
Total recognised gains / (loss) relating to last year	**11.7**	**(0.1)**

Balance Sheet

as at 31 December	2014 £m	2013 £m
Assets		
Investments		
Shares in subsidiaries (note 11)	37.4	37.2
Listed British Government and local authority securities	12.1	10.6
Listed fixed interest stocks	10.3	10.1
Deposits with credit institutions	28.8	24.4
Other financial investments *(note 11)*	**51.2**	**45.1**
	88.6	**82.3**
Reinsurers' share of technical provisions		
Provision for unearned premiums	0.5	0.6
Claims outstanding	41.1	26.9
	41.6	**27.5**
Debtors		
Due from policyholders	0.2	0.1
Due from Group Undertakings	1.9	1.3
Debtors arising out of direct insurance operations	**2.1**	**1.4**
Other debtors	5.4	8.4
	7.5	**9.8**
Cash at bank and in hand	0.6	0.6
Prepayments and accrued income		
Accrued interest and rent	0.3	0.3
Total assets including pension asset	**138.6**	**120.5**

Balance Sheet

as at 31 December	2014 £m	2013 £m
Liabilities		
Capital and Reserves		
Called up share capital (note 12)	20.0	20.0
Profit and loss account (note 13)	22.9	19.5
Revaluation Reserve (note 14)	21.1	20.8
Total shareholders' funds *(note 15)*	**64.0**	**60.3**
Technical provisions		
Provision for unearned premiums	1.2	1.3
Claims outstanding	46.1	32.9
Other technical provisions – provision for unexpired risk	0.2	0.2
	47.5	**34.4**
Creditors		
Creditors arising out of direct insurance operations	0.4	0.5
Creditors arising out of reinsurance operations	0.7	0.9
Due to subsidiaries	23.4	23.0
	24.5	**24.4**
Corporation tax	1.7	0.5
Other	0.3	0.2
Other taxation	0.6	0.7
Other creditors including taxation and social security	**2.6**	**1.4**
	27.1	**25.8**
Total liabilities	**138.6**	**120.5**

These financial statements on pages 5 – 18 were approved and authorised for issue by the Directors on 12 March 2015 and were signed on their behalf by:

Richard Percy
Chairman

Lindsay Sinclair
Group Chief Executive

Stratford-upon-Avon, 12 March 2015
Avon Insurance plc Registered Number 00209606

Cash Flow Statement

for the year ended 31 December	2014 £m	2013 £m
Net cash inflow from continuing operating activities (note 20)	14.2	29.7
Taxation paid	(1.7)	(1.9)
Equity Dividends Paid	(8.0)	(43.4)
Net cash inflow / (outflow)	**4.5**	**(15.6)**
Net cash flows were invested / (applied) as follows		
Increase in cash holdings (note 20)	–	0.9
Net Portfolio investment		
Increase in Deposits with credit institutions (note 20)	4.4	10.4
Increase /(Decrease) In Government Stocks and Fixed Interest Securities (note 20)	0.1	(26.9)
Net Investment of cash flows	**4.5**	**(15.6)**

Notes to Financial Statements

1 Accounting Policies

The financial statements have been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") relating to insurance groups, and applicable accounting standards in the United Kingdom and with the Statement Of Recommended Practice (SORP) on accounting for insurance business issued by the Association of British Insurers (ABI) dated December 2005, amended in December 2006.

The more important accounting policies, which unless otherwise stated have been applied consistently are set out below.

a) Changes in Accounting Policy

There have been no new Financial Reporting Standards adopted during the year.

b) Translation and Conversion of Foreign Currencies

Foreign currency transactions have been converted into sterling at rates of exchange ruling during the year. All material assets and liabilities in foreign currencies have been translated at the rates of exchange ruling at the end of the year. Exchange differences are taken to the Profit and Loss account.

c) General Insurance Business

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, less an allowance for cancellations. Related reinsurance premiums are accounted for when paid or payable.

The balance on the Technical Account – General Business is determined after making provision for unearned premiums, unexpired risks and outstanding claims. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date.

Provision for unearned premiums is calculated on a 365th inception basis.

Provision for unexpired risks is maintained, when required, to cover the estimated excess of liabilities over the associated unearned premium after taking into account future investment return. Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Claims Provisions

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The provision calculated takes account of handling costs, salvage and other known recoveries, anticipated inflation, legal costs and trends in settlement.

Notified outstanding claims reserves

The cost of notified but not settled claims are estimated on an individual case by case basis by claims handlers using their experience of past settlements and known and expected legislative changes.

Incurred but not reported claims reserves

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty. Classes of business, such as employers' liability, where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

IBNR claims are estimated using statistical techniques, which use past trends to forecast separately the expected number of

claims and the expected average cost of claims. Separate allowance is made for large claims. An allowance is made for expected changes in future trends, such as changes in company processes, changes in the legal environment, changes in mix of business and changes in expected claims inflation. In addition, exposure based techniques are adopted to estimate reserves required for new sources of loss not significantly evident in historic data.
Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amount that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Reinsurance

Claims outstanding and IBNR for all reinsured policies are shown gross with equal and opposite recoveries attributable to the reinsurer.

Reinsurance recoveries

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies. The claims run-off from the Broker and Intermediary business is managed under a reinsurance arrangement with NFUM Insurance Society Ltd.

d) Investment Return

Investment return comprises investment income, including investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.
Movement in unrealised gains and losses in investments are included in the Profit and Loss Account other than those in respect of the investment in subsidiaries and associates which are taken to the revaluation reserve. Gains and losses on realisation of investments are included within investment income or investment expenses in the Non-Technical Account. Unrealised gains and losses are also included within the Non-Technical Account. Allocations from the Non-Technical Account are made to the Technical Account. In the case of irredeemable fixed interest securities and short term assets, the allocated longer term rate of investment return should be and is the interest income receivable in respect of the financial year.
The longer term rate of investment return is an estimate of the long-term trend investment return having regard to past performance over the past forty years, current trends and future expectations.

e) Taxation

United Kingdom and overseas taxation charged in the Non-Technical Account and the Technical Account General Business based on profits and income including realised gains and losses on all investments for the year as determined in accordance with the relevant tax legislation, together with adjustments in respect of earlier years. Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences, including unrealised appreciation of investments. Deferred tax is not discounted and is calculated at the rates at which it is expected that the tax will arise and the pattern of the expected realisation of investments. Movements in this taxation provision are charged to the Non-Technical Account.

f) Retirement Benefits Scheme

The Group operates a defined benefit pension scheme for the majority of its employees. The cost of providing benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at each balance sheet date. Payments to defined contribution retirement benefit schemes are charged as an expense when paid.

g) Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to contractual provisions of the instrument.

Debtors

Trade debtors are measured at initial recognition at the value transferred. Subsequent measurements are made having an appropriate allowance for estimated irrecoverable amounts.

Investments

Investments are shown at market value. The investments in subsidiaries are valued at current value.

Investments are recognised and derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost.

Cash at bank and in hand

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Creditors

Trade creditors are valued at the initial value of the transaction.

h) Going Concern

The financial statements are prepared on a going concern basis and prepared under the historical cost convention.

2 Segmental Information

All business is transacted in the UK.

a) Gross Written Premiums, Reinsurance Balance and Profit before Tax

The gross premium income for the year by major class of business was as follows:

	Gross Written Premiums		Reinsurance Balance		Profit before Taxation	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Accident and Health	34.9	37.7	(10.2)	(10.8)	10.3	4.0
Fire and Other Damage to Property	1.0	1.1	14.3	3.6	3.9	(2.5)
Non Technical account	–	–	–	–	0.3	(1.3)
	35.9	**38.8**	**4.1**	**(7.2)**	**14.5**	**0.2**

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to outwards reinsurance business.

b) Gross Premium Earned

	2014 £m	2013 £m
Continuing operations		
Accident and Health	35.0	37.6
Fire and Other Damage to Property	1.0	1.0
	36.0	**38.6**

c) Gross Claims Incurred

Continuing operations	2014 £m	2013 £m
Fire and Other Damage to Property	4.0	4.5
Motor	14.5	8.1
Accident and Health	(0.1)	(0.9)
	18.4	**11.7**

d) Gross Operating Expenses

	2014 £m	2013 £m
Continuing operations		
Accident and Health	10.7	19.1
Fire and Other Damage to Property	–	0.1
	10.7	**19.2**

e) Outwards Reinsurance Premium

	2014 £m	2013 £m
Continuing operations		
Accident and Health	11.3	12.3
Fire and Other Damage to Property	1.0	1.1
	12.3	**13.4**

3 Movement in prior year's provisions for claims outstanding

A positive run off deviation of £2.2m (2013: £2m negative) for Accident & Health was experienced in the year with all other classes of business reporting a net positive deviation of £0.1m (2013: nil).

4 Net Operating Expenses

	2014 £m	2013 £m
Acquisition costs	6.6	12.4
Expenses	3.9	6.8
Reinsurance commission and profit participation	0.2	(1.0)
	10.7	**18.2**

	2014 £m	2013 £m
Net operating expenses include:		
Buy out expense of RBS commission contract		
Amount paid to RBS for buy out of ongoing commission contract	-	1.8
Amount received from reinsurers in respect of buy out from RBS ongoing commission contract	-	(0.5)
	-	**1.3**

5 Investment Return

	2014 £m	2013 £m
Income from other investments	1.5	6.3
Net gains on the realisation of investments	0.4	2.3
Investment income	**1.9**	**8.6**
Movement in unrealised investment gains	1.6	(9.9)
Investment return for the year	**3.5**	**(1.3)**

6 General Business Longer Term Investment

	2014 £m	2013 £m
Analysed between:		
Net investment return included in the Non-Technical Account	3.5	(1.3)
	3.5	**(1.3)**

	Longer term rates of investment return	
	2014	2013
Fixed Interest Stock	2.5%	3.0%
Cash	2.5%	3.0%

A 1% increase / decrease on the longer-term rate of investment return would result in a increase / decrease in longer-term investment return of £0.1m (2013: £0.1m). There is no material difference over a five year period between the actual return attributable to investments supporting the technical reserves and the longer term return credited to operating results.

7 Directors and Employee Information

	2014 £	2013 £
Aggregate emolument	123,289	134,326
Retirement benefit to past Non-Executive Directors	55,476	57,792
	178,765	**192,118**

All emoluments were in respect of fees for service as non-executive directors. A pension contribution of £2,875 (2013 : £2,788) was made in respect of serving directors. Pensions to former directors amounted to £55,476 (2013: £57,792). The employees of the Company do not have contracts of service with Avon Insurance plc but with another Group Company, The National Farmers Union Mutual Service Company Limited.

The average monthly number of persons involved is:

	2014	2013
Administration and finance	42	67
Claims	5	5
	47	**72**

A recharge of staff costs is made from The National Farmers Union Mutual Service Company Limited for the services of the above employees.

Staff costs were:

	2014 £m	2013 £m
Wages and salaries	2.0	2.7
Social security costs	0.2	0.2
	2.2	**2.9**

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated:

	2014 £k	2013 £k
Fees payable to the company's auditor for the audit of the company's annual financial statements	36.5	32.7
Fees payable to the company's auditors and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	2.4	2.4

9 Taxation on profits on ordinary activities

	2014 £m	2013 £m
United Kingdom Tax		
Corporation Tax	3.1	0.4
Total United Kingdom Taxation	**3.1**	**0.4**

Factors affecting the tax charge for the year	2014 £m	2013 £m
Profit on ordinary activities before tax	14.5	0.2
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	3.1	0.1
Adjustment to tax charge in respect of previous periods	–	0.3
Current tax charge for the year	**3.1**	**0.4**

Included in the tax charge for the period is an amount of £nil (2013: £nil) in respect of the disposal of renewal rights.

10 Dividends

	2014 £m	2013 £m
Equity Shares		
Dividend paid of £0.40 per share (2013: £7.50 per share)	8.0	150.0

An interim dividend of £8m was paid to the parent company in December 2014.

11 Investments

a) Shares in subsidiaries

Purchase price of investments £16.6m (2013: £16.6m).

Net asset value of investments £37.4m (2013: £37.2m).

All shares held are £1 ordinary shares.

The Company owns the whole of the issued share capital of Tiddington Investments Limited and Avon Life Limited whose principal activities are non dealing Investment Companies, who are incorporated in Great Britain and registered in England and Wales. The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, The National Farmers Union Mutual Insurance Society Limited, a company incorporated in England and Wales. The value of the Company's interest in its subsidiaries is not less than the amount at which the interest is stated in the Balance Sheet.

b) Other financial investments

	2014 £m		2013 £m	
	Valuation	Cost	Valuation	Cost
Listed British Government and Local Authority securities	12.1	11.3	10.6	10.8
Listed fixed interest stocks	10.3	9.4	10.1	9.8
Deposits with credit institutions	28.8	28.8	24.4	24.4
	51.2	**49.5**	**45.1**	**45.0**

12 Called Up Share Capital

The authorised capital at 31 December 2014 was £100m (2013: £100m) divided into shares of £1 each, of which £20m (2013: £20m) were issued and fully paid.

13 Profit and Loss Account

	2014 £m	2013 £m
Balance at 1 January	19.5	169.7
Profit for the financial year	11.4	(0.2)
Dividend paid	(8.0)	(150.0)
Balance at 31 December	**22.9**	**19.5**

14 Revaluation Reserve

The balance in the revaluation reserve reflects the movement in the net asset value of investment in subsidiary companies.

	2014 £m	2013 £m
Balance at 1 January	20.8	20.7
Revaluation Movement	0.3	0.1
Balance at 31 December	**21.1**	**20.8**

15 Reconciliation of Movements in Shareholders' Funds

	2014 £m	2013 £m
Balance at 1 January	60.3	210.4
Profit / (Loss) for the financial year	11.4	(0.2)
Dividend paid	(8.0)	(150.0)
Revaluation Movement	0.3	0.1
Balance at 31 December	**64.0**	**60.3**

16 Stock Lending

Holdings of UK Government and corporate fixed interest securities with a value of £2.6m (2013: £1.1m) were on loan at 31 December 2014 under approved stock lending schemes. As at 31 December 2014 £2.7m of sovereigns (2013: £1.2m) has been accepted by the Group in assets that it is permitted to sell or repledge in the event of default of the owner of the collateral. No collateral was sold or repledged during the year or in the prior year. The Company has an obligation to return these assets to the pledgor.

17 Retirement Benefit Schemes

The NFU Mutual Insurance Society operates the NFU Mutual Retirement Benefit Scheme which provides membership with benefits on a Defined Benefits and Defined Contribution basis that covers all material obligations to provide pensions to retired and current employees.

The Defined Benefit Scheme is closed to new employees.

New starters have the option of joining the Defined Contribution scheme. The contributions for the schemes are determined by an independent qualified actuary on the basis of triennial valuations using the Projected Unit Method. As the NFU Mutual Retirement Benefit Scheme admits new members in a Defined Contribution basis and not a Defined Benefit basis, the current service cost in respect of Defined Contribution members will typically increase (as a percentage of pensionable pay) as the average age of the active membership increases.

The most recent valuation carried was at 31 December 2011. The assets of both schemes were in excess of the amount required to cover the benefits that had accrued to members after allowing for future increases in earnings.

The current surplus of the scheme, calculated by the independent firm of actuaries, is £68.8m (2013: £121.5m) and is accounted for by The NFU Mutual Insurance Society. As a result of this surplus, contributions to the Scheme by the Society are currently suspended.

Due to the movement of employees across different business areas, the company is unable to identify its share of the underlying asset. The company therefore utilises the multi-employer exemption under FRS 17.

18 Deferred Taxation

	2014 £m	2013 £m
Balance at 1 January	0.1	0.1
Charge for the year	–	–
Balance at 31 December	**0.1**	**0.1**

There is no unprovided Deferred Taxation. All Deferred Tax is fully recoverable and relates to the expected realisation of investments.

The amount is included within Other Debtors on the Balance Sheet.

19 Contingent Liabilities

As an authorised insurance group in the United Kingdom the NFU Mutual Group is subject to levies from time to time from the Financial Services Compensation Scheme. The scheme may announce levies, based on net premium income for the 2013 year to cover compensation and running costs in their current account period, which ends on 31 March 2015. These accounts have no provision in respect of 2014.

20 Cash Flow Statement

	2014 £m	2013 £m
a) Reconciliation of Profit Before Tax to Net Cash Inflow from Operating Activities		
Profit on ordinary activities before taxation	14.5	0.2
Increase / (Decrease) in debtors, prepayments and accrued income	2.3	(1.6)
Increase in creditors, accruals and deferred income	0.1	18.6
(Decrease) / Increase in net technical provisions	(1.0)	2.6
Realised and unrealised investment (loss)/gain	(1.7)	9.9
Net cash Inflow from operating activities	**14.2**	**29.7**
b) Movement in portfolio investments net of financing		
Increase in cash holdings	–	0.9
Cash inflow / (outflow) on portfolio investments	4.5	(16.5)
Movement arising from cash flows	4.5	(15.6)
Changes in market value and currencies	1.7	(9.9)
Total movement in portfolio investments	6.2	(25.5)
Portfolio investments, net of financing at 1 January	45.6	177.7
Dividend paid in specie to parent company	–	(106.6)
Portfolio investments, net of financing at 31 December	**51.8**	**45.6**
c) Cash flows invested in portfolio investments		
Purchase of debt securities and other fixed income securities	7.7	60.4
Sales of debt securities and other fixed income securities	(7.6)	(87.3)
Net increase in deposits with credit institutions	4.4	10.4
Net cash inflow/(outflow) from operating activities	**4.5**	**(16.5)**

d) Movement in Cash, Portfolio Investments and Financing

	As at 1 January, 2014	Cash flow	Market value changes	As at 31 December, 2014
	£m	£m	£m	£m
Cash at bank and in hand	0.6	–	–	0.6
Government stocks and other fixed income securities	20.6	0.1	1.7	22.4
Deposits with credit institutions	24.4	4.4	–	28.8
Total	**45.6**	**4.5**	**1.7**	**51.8**

21 Related parties

The Company has taken advantage of the exemption set out in FRS8 not to disclose transactions with other Group Companies.

22 Ultimate Parent Company

The immediate parent company is NFU Mutual Management Company Limited, which is incorporated in England and Wales.

The Company's ultimate controlling undertaking and parent company is The National Farmers Union Mutual Insurance Society Limited, which is incorporated in England and Wales.

The National Farmers Union Mutual Insurance Society Limited is the only parent undertaking to consolidate these financial statements at 31 December 2014. The consolidated financial statements of the National Farmers Union Mutual Insurance Society Limited are available from the Secretary at the following address:

Tiddington Road,

Stratford-upon-Avon,

Warwickshire

CV37 7BJ