# NFU Mutual Finance Limited

## Directors' report and financial statements for the year ended 31 December 2022

**Registered office**

Cawley House
Chester Business Park
Chester
CH4 9FB

**Registered number**

00652227

**Current directors**

N D Bryan
S E Johns
J McCaffrey
N A Williams

**Company secretary**

A E Mulholland

Member of Lloyds Banking Group

# Directors' report

For the year ended 31 December 2022

The directors present their report and the audited financial statements of NFU Mutual Finance Limited ("the Company") for the year ended 31 December 2022.

### General information

The Company is a limited company incorporated in the United Kingdom and registered and domiciled in England and Wales (registered number: 00652227). The directors in office during 2022 and to the date of this report are listed further in this report and the Company secretary is A E Mulholland.

The main activity of the Company is the provision of finance to commercial customers in the agricultural sector by means of loan facilities and instalment credit. The Company is a joint venture between The National Farmers Union Mutual Insurance Society Limited ("NFUM") and Bank of Scotland plc, a member of the Lloyds Banking Group ("the Group"). The Company is entirely funded by the joint venture partners. During 2020, the directors of the Company made the decision to terminate all customer agreements with a view to liquidating the Company at the earliest opportunity once the Payment Protection Insurance ("PPI") liabilities have settled.

### Review of business

The results of the Company show a Loss before tax of £7,000 (2021: £8,000) for the year as set out in the Statement of comprehensive income on page 3.

The Company has shareholders' equity of £2,982,000 (2021: £2,989,000).

### Principal risks and uncertainties

Details regarding Principal risks and uncertainties are contained within the Financial risk management note to the financial statements (see note 15).

### Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### Future outlook

During 2020, the directors of the Company made the decision to terminate all customer agreements with a view to liquidating the Company at the earliest opportunity.

### Dividends

No dividends were paid or proposed during the year ended 31 December 2022 (2021: £nil).

### Going concern

The directors have decided to liquidate the Company and it is expected that the Company will be placed into liquidation in the next 12 months. Therefore the accounts have been prepared on a basis other than going concern.

### Directors

The current directors of the Company are shown on the front cover. The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and accounts.

| | |
|---|---|
| R A Jones | (resigned 28 October 2022) |
| N A Williams | (appointed 20 December 2022) |
| C P Beighton | (resigned 14 February 2023) |
| S E Johns | (appointed 14 February 2023) |

### Directors' indemnities

Lloyds Banking Group plc ("LBG") has granted to Messrs J McCaffrey and N A Williams, the LBG directors of the Company appointed by and representing the Group, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year and at the date of approval of the financial statements. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the LBG directors to the maximum extent permitted by law. The deed for current LBG directors is available for inspection at the registered office of the Group. In addition, the Group has in place appropriate LBG directors and officers liability insurance cover which was in place throughout the financial year.

## Directors' report (continued)

For the year ended 31 December 2022

**Directors' indemnities (continued)**

NFUM has put in place deeds of indemnity for the benefit of N D Bryan and S E Johns, directors of the Company appointed by and representing NFUM. The indemnity was in force during the financial year and also at the date of approval of the financial statements. In addition, NFUM has in place appropriate directors and officer liability insurance which was in place throughout the financial year.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**Statement of disclosure of information to auditor**

In accordance with Section 418 of the Companies Act 2006, 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 auditor is 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 auditor is aware of that information.

**Independent auditor**

Deloitte LLP are deemed to be re-appointed as auditor under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within Section 415A of Part 15 of the Companies Act 2006.

Approved by the board of directors and signed on its behalf by:

Nick Williams

N A Williams
**Director**
02 May 2023

## Statement of comprehensive income

For the year ended 31 December 2022

| | Note | **2022**<br>**£'000** | 2021<br>£'000 |
|---|---|---|---|
| Payment protection insurance credit | 11 | - | 2 |
| Impairment gains | | - | 1 |
| Administrative expenses | | **(7)** | (11) |
| **Loss before taxation** | 5 | **(7)** | (8) |
| Tax on Loss | 8 | - | - |
| **Loss for the financial year** | | **(7)** | (8) |

The accompanying notes to the financial statements are an integral part of these financial statements.

## Balance sheet

As at 31 December 2022

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash at bank and in hand | | **3,031** | 3,031 |
| **TOTAL ASSETS** | | **3,031** | 3,031 |
| **CURRENT LIABILITIES** | | | |
| Creditors: amounts falling due within one year | 10 | **(49)** | (42) |
| **NET CURRENT ASSETS** | | **2,982** | 2,989 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,982** | 2,989 |
| **NET ASSETS** | | **2,982** | 2,989 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 12 | **500** | 500 |
| Retained earnings | | **2,482** | 2,489 |
| **Total equity** | | **2,982** | 2,989 |

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

Nick Williams

N A Williams
**Director**

02 May 2023

## Statement of changes in equity

For the year ended 31 December 2022

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| **At 1 January 2021** | 500 | 2,497 | 2,997 |
| Loss for the year | - | (8) | (8) |
| **At 31 December 2021** | **500** | **2,489** | **2,989** |
| Loss for the year | - | (7) | (7) |
| **At 31 December 2022** | **500** | **2,482** | **2,982** |

The accompanying notes to the financial statements are an integral part of these financial statements.

## Cash flow statement

For the year ended 31 December 2022

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **Net cash used in operating activities** | 13 | **(6)** | (19) |
| Taxation received | | - | 181 |
| **Net cash (used in)/generated from operations** | | **(6)** | 162 |
| **Cash flows generated from financing activities** | | | |
| Increase in Amounts due to related undertakings | 10 | **6** | 332 |
| Net cash generated from financing activities | | **6** | 332 |
| **Change in Cash and cash equivalents** | | **-** | 494 |
| Cash and cash equivalents at beginning of year | | **3,031** | 2,537 |
| **Cash and cash equivalents at end of year** | | **3,031** | 3,031 |
| **Cash and cash equivalents comprise** | | | |
| Cash at bank | | **3,031** | 3,031 |

The accompanying notes to the financial statements are an integral part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2022

## 1. General information

The Company's main activity is the provision of finance to commercial customers in the agricultural sector by means of loan facilities and instalment credit.

The Company is a joint venture between NFUM and Bank of Scotland plc, and is incorporated in England and Wales and under the Companies Act 2006. The address of its registered office is Cawley House, Chester Business Park, Chester, CH4 9FB.

## 2. Statement of compliance

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and the Companies Act 2006 applicable to companies reporting under United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102").

## 3. Summary of significant accounting policies

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

### 3.1 Basis of preparation

The financial statements have been prepared on a basis other than going concern as the directors expect to liquidate the Company within the next 12 months. There would be no difference to asset values between a going concern basis and a basis other than going concern under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

### 3.2 Income recognition

**Foreign currency**

The financial statements are presented in Sterling which is the Company's functional and presentation currency. Foreign currency transactions are translated into Sterling at the exchange rate prevailing at the date of the transaction.

Exchange gains and losses arising from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate prevailing at the balance sheet date are recognised in the Statement of comprehensive income.

### 3.3 Financial assets and liabilities

Financial assets comprise Cash at bank and in hand. Financial liabilities comprise Amounts due to related undertakings.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

### 3.4 Provision for liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

### 3.5 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise Cash at bank and in hand which is available on demand.

## Notes to the financial statements (continued)
For the year ended 31 December 2022

## 3. Summary of significant accounting policies (continued)

### 3.6 Taxation

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His Majesty's Revenue and Customs ("HMRC") or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

## 4. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

There are no significant estimates or judgements that have been used in the preparation of these financial statements.

# Notes to the financial statements (continued)
For the year ended 31 December 2022

## 5. Loss before taxation

Analysis of Loss before taxation is set below:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **After (charging)/crediting** | | |
| Payment Protection Insurance credit (see note 11) | - | 2 |
| Management fees (see note 14) | - | (5) |
| Audit fees | (7) | (6) |
| Impairment gains | - | 1 |
| Loss before taxation | (7) | (8) |

Accounting and administration services are provided by a related undertaking and are recharged to the Company as part of Management fees.

## 6. Staff costs

The Company did not have any employees during the year (2021: none).

## 7. Directors' emoluments

The directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the directors are paid by a fellow Group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the directors.

## 8. Tax on Loss

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **a) Analysis of credit for the year** | | |
| UK corporation tax: | | |
| - Current tax on taxable loss for the year | - | - |
| - Adjustments in respect of prior years | - | - |
| Current tax credit | - | - |

Corporation tax is calculated at a rate of 19.00% (2021: 19.00%) of the taxable loss for the year.

**b) Factors affecting the tax credit for the year**

A reconciliation of the credit that would result from applying the standard UK corporation tax rate to the loss before tax to the actual tax credit for the year is given below:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loss before taxation | (7) | (8) |
| Tax credit thereon at UK corporation tax rate of 19.00% (2021: 19.00%) | (1) | (2) |
| Factors affecting credit: | | |
| - Timing differences not recognised | 1 | 2 |
| Tax credit on loss | - | - |
| Effective rate | 0.00% | 0.00% |

## Notes to the financial statements (continued)

For the year ended 31 December 2022

### 9. Deferred tax asset

Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

A deferred tax asset of £7,000 (2021: £5,000) relating to miscellaneous losses has not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Subject to some conditions the losses can be carried forward indefinitely and offset against future taxable profits.

### 10. Creditors: amounts falling due within one year

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts due to related undertakings (see note 14) | **42** | 36 |
| Other creditors | **7** | 6 |
| | **49** | 42 |

### 11. Provision for liabilities

| | **Total** |
|---|---|
| | **£'000** |
| At 1 January 2021 | 2 |
| Credit during the year | (2) |
| **At 31 December 2021, 1 January 2022 and 31 December 2022** | - |

An assessment has been made of the potential future transfer of economic benefits from claims made against the Company in relation to PPI. The provision represents an estimate of the likely future outflows to settle claims against the Company.

### 12. Called up share capital

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| **Allotted, issued and fully paid** | | |
| 250,000 "A" Ordinary shares of £1 each | **250** | 250 |
| 250,000 "B" Ordinary shares of £1 each | **250** | 250 |
| 2 "C" shares of £1 each | **-** | - |
| | **500** | 500 |

The "A" and "C" shares are held by Bank of Scotland plc and the "B" shares are held by The National Farmers Union Mutual Insurance Society Limited. The "A" and "B" shares rank pari passu with regard to the rights to dividends and to a distribution on winding up. The "A", "B" and "C" shares have equal voting rights. The "A" and "B" shares hold the rights regarding the appointment of directors.

An option agreement, dated 22 April 1999, provides The National Farmers Union Mutual Insurance Society Limited with the option to purchase one "C" share from Bank of Scotland plc for a consideration of £1.

The terms of the contractual agreement between the two shareholders are such that the Company is accounted for as a joint venture under the requirements of FRS 102 'Associates and joint ventures' and therefore does not have an ultimate parent undertaking.

## Notes to the financial statements (continued)
For the year ended 31 December 2022

### 13. Notes to the Cash flow statement

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **Reconciliation of Loss before taxation to net cash flow from operating activities** | | |
| Loss before taxation | **(7)** | (8) |
| Changes in operating assets and liabilities | | |
| - net decrease in Provisions for liabilities | **-** | (2) |
| - net increase/(decrease) in Other creditors | **1** | (9) |
| Net cash used in operating activities | **(6)** | (19) |

### 14. Related party transactions

The Company entered into a number of transactions with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related expense for the year are set out below:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **Amounts due to related undertakings** | | |
| Bank of Scotland plc (see note 10) | **42** | 36 |
| **Cash at bank and in hand held with related undertakings** | | |
| Bank of Scotland plc | **3,031** | 3,031 |
| **Management fees** | | |
| Bank of Scotland plc (see note 5) | **-** | 5 |

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

***Key management personnel***

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprise the directors of the Company, the members of the Retail Division of Lloyds Banking Group plc and The National Farmers Union Mutual Insurance Society Limited board. Key management personnel are employed by other companies within the Group or by The National Farmers Union Mutual Insurance Society Limited and consider their services to the Company are incidental to their other responsibilities within those organisations.

### 15. Financial risk management

The Company's operations expose it to liquidity risk and business risk; it is not exposed to any significant credit risk, market risk, interest rate risk and foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by Lloyds Banking Group plc. Credit risk is carefully monitored by the credit committee and credit functions established by Lloyds Banking Group plc. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 3.

#### 15.1 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

Liquidity risks are managed as part of the Group by an intermediate parent company, Lloyds Bank plc, in consultation with the board of directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

## 15. Financial risk management (continued)

### 15.2 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

### 15.3 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

## 16. Contingent liabilities and capital commitments

There were no contingent liabilities nor contracted capital commitments at the Balance sheet date (2021: £nil).

## 17. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

## 18. Ultimate parent undertaking and controlling party

The immediate parent company is Bank of Scotland plc. The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Bank of Scotland plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via:

https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

## Independent auditor's report to the members of NFU Mutual Finance Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of NFU Mutual Finance Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter- Financial statement prepared other than on a going concern basis

We draw attention to note 3.1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

## Independent auditor's report to the members of NFU Mutual Finance Limited (continued)

### Other information

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. 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 in this regard.

### Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

### Auditor's 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 auditor's 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.

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 auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**
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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

## Report on other legal and regulatory requirements

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Independent auditor's report to the members of NFU Mutual Finance Limited (continued)

## Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

P Cowley

Paul Cowley CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
02 May 2023