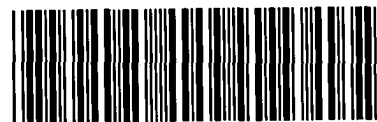


Registered Number: 1141570

Directors' Report and Accounts 2016

AGF Holdings (UK) Limited

MONDAY



A63JYIOJ

A15

03/04/2017

#259

COMPANIES HOUSE

Directors: J M Dye
M J Churchlow
G A Gibson

Secretary: R C Jack-Kee

Registered Office: 57 Ladymead, Guildford, Surrey, GU1 1DB

Registered No: 1141570

Strategic Report

The Directors present their Strategic Report for the year ended December 31, 2016.

Principal activity and review of the business developments

AGF Holdings (UK) Limited is a parent company and most of the activities of the group were conducted through subsidiary companies. The principal activity of the group had been the settlement of claims arising on non-life insurance in the United Kingdom conducted through its main subsidiary AGF Insurance Limited which ceased writing new business in 1998. On 10 October 2016, the Company sold its investment in AGF Insurance Limited to Catalina Holdings UK Limited. The Company is expected to remain the parent company of AGF Pension Trustees Limited for the foreseeable future.

The results for the year are set out in the Income Statement on page 6. The profit for the year amounted to £20.4m (2015: £3.4m). At the year end, the Company had net assets of £82.6m (2015: £66.4m).

Principal risks and uncertainties

The principal risk facing the Company is a possible adverse development in the past service deficit of the defined benefit employee pension scheme, and therefore a discussion of the Company's wider risks would not be appropriate for an understanding of the development, performance or position of the Company's business. Full disclosure in relation to the defined benefit employee pension scheme has been given in Note 10.

The Company has a 5% shareholding in LUC Holdings Ltd which holds a lease on the London Underwriting Centre building. The lease expired in March 2016 and the shareholders are liable for a share of the dilapidations costs.

By order of the Board



M J Churchlow
Director

March 13, 2017

Directors' Report

The Directors present their Directors' Report and audited financial statements for the year ended December 31, 2016.

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 6.

The Directors do not recommend payment of a dividend for the year ended December 31, 2016 (2015: £nil).

Directors

The names of the current Directors are shown on page 1. All served throughout the period. B Bovermann and R O Hudson served throughout the period but resigned as Directors of the Company on January 20, 2017.

Directors' responsibility to the auditors

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

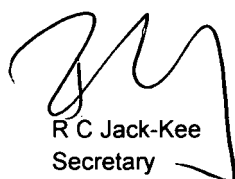
Pension Scheme Trustee Indemnity

The Company, as sponsoring employer of the AGF Pension and Life Assurance Scheme, has maintained in respect of each of the Directors of AGF Pension Trustees Limited, qualifying pension scheme indemnity provisions (as referred to in section 236 of the Companies Act 2006).

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



R C Jack-Kee
Secretary

March 13, 2017

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) 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 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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report

to the members of AGF Holdings (UK) Limited

We have audited the financial statements of AGF Holdings (UK) Limited for the year ended December 31, 2016 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at December 31, 2016, and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report

to the members of AGF Holdings (UK) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

March 13, 2017

Statement of Comprehensive Income

For the year ended December 31, 2016

	Notes	2016 £000	2015 £000
Operating income		2,940	4,812
Operating costs	3	(636)	(462)
Operating profit		2,304	4,350
Realised gain	5	19,016	–
Finance credit/(cost) - pensions	10	90	(340)
Other expenses		(1,007)	(336)
Profit before taxation		20,403	3,674
Tax credit/(charge)	4	5	(278)
Profit for the year		20,408	3,396
Other comprehensive income:			
(Loss)/gain on pension fund		(4,825)	7,194
Tax credit/(charge) on pension fund		567	(1,946)
Other comprehensive income for the period, net of tax		(4,258)	5,248
Total comprehensive income for the period, net of tax		16,150	8,644

The notes on pages 10 to 20 are an integral part of these financial statements.

Balance Sheet

As at December 31, 2016

	Notes	2016 £000	2015 £000
Assets			
Investment in subsidiary undertakings – held for sale	5	–	61,800
Other receivables	9	86,761	6,319
Deferred taxation	4	469	314
Tax receivable	4	415	–
Total assets		87,645	68,433
Equity and liabilities			
Issued capital and reserves attributable to equity holders of the parent			
Equity share capital	7	201,631	201,631
Other non distributable reserve	13	78,533	78,533
Retained earnings		(197,589)	(213,739)
Total equity		82,575	66,425
Liabilities			
Defined benefit pension plan liability	10	2,761	1,746
Accruals and other payables	6	2,309	262
Total liabilities		5,070	2,008
Total liabilities and shareholders' equity		87,645	68,433

The notes on pages 10 to 20 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on March 13, 2017 and signed on its behalf by:



M J Churchlow
Director

Statement of cash flows

For the year ended December 31, 2016

	Notes	2016 £000	2015 £000
Operating activities			
Profit before tax		20,403	3,674
<i>Changes in working capital</i>			
Increase in other receivables		(80,442)	(138)
Employer contribution to pension scheme		(4,353)	(4,525)
Pension charge in profit and loss		543	779
Increase in accruals and other payables		2,047	262
Realised gains from disposal of subsidiary		(19,016)	–
Cash generated from operations		(80,818)	52
Income tax paid/(received)		2	(52)
Net cash flow from operating activities		(80,816)	–
Cash generated from Investing Activities			
Disposal of Subsidiary		80,816	–
Net cash from investing activities		80,816	–
Net decrease in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		–	–

The Company does not have its own bank account, all cash items are dealt with through inter-company accounts.

The notes on pages 10 to 20 are an integral part of these financial statements.

Statement of changes in equity

for the year ended December 31, 2016

	Share capital £000	Other non distributable reserves £000	Retained earnings £000	Total £000
Balance as at January 1, 2015	201,631	78,533	(222,383)	57,781
Net profit for the year	–	–	3,396	3,396
Gain on pension fund	–	–	7,194	7,194
Tax on gain on pension fund	–	–	(1,946)	(1,946)
Balance as at December 31, 2015	201,631	78,533	(213,739)	66,425
Net profit for the year	–	–	20,408	20,408
Loss on pension fund	–	–	(4,825)	(4,825)
Tax on loss on pension fund	–	–	567	567
Balance as at December 31, 2016	201,631	78,533	(197,589)	82,575

The notes on pages 10 to 20 are an integral part of these financial statements.

Notes to the financial statements

for the year ended December 31, 2016

1. Accounting policies

1.1 Company and its operations

The financial statements of AGF Holdings (UK) Limited (the 'Company') for the year ended December 31, 2016 were authorised for by the Board of the Directors on March 13, 2017 and the balance sheet was signed on the Board's behalf by M J Churchlow. AGF Holdings (UK) Limited is a private limited company incorporated and domiciled in England & Wales.

1.2 Statement of compliance

The financial statements of AGF Holdings (UK) Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

1.3 Basis of preparation

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

The financial statements are compiled on a going concern basis.

The Company is exempt from preparing group accounts by virtue of Section 400 of the Companies Act 2006, as it is a subsidiary undertaking of an EU parent (see Note 8). The financial statements present information about the Company as an individual undertaking and not about the group.

1.4 Summary of significant accounting policies

The significant accounting policies adopted in the presentation of the financial statements are set out in the following paragraphs:

(a) Investment in subsidiary undertakings

Impairments

The carrying value of the investment in subsidiary undertakings is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. At each balance sheet date, an assessment is made of whether there is any objective evidence of impairment. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including expected future cash flows, observable market prices and expected net selling prices.

(b) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

(c) Other receivables

Other receivables are stated at cost less impairment losses.

(d) Other payables

Other payables are stated at cost.

Notes to the financial statements

for the year ended December 31, 2016

1. Accounting policies (continued)

(e) Income taxes

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, together with adjustments to tax payable in respect of prior years.

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

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets are reviewed at each 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 deferred income tax asset to be utilised.

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

(f) Revenue recognition

Revenue is derived from the provision of services to AGF Insurance Limited and is recognised when invoiced.

(g) Pension benefit obligation

The Company operates a defined benefit pension scheme with pension benefits funded over employees' periods of service.

The Company accounts for pensions in accordance with IAS19 and the disclosures given are those required by that standard.

2. Use of estimates, assumptions and judgements

Surplus or deficit on defined benefit pension scheme

Any surplus or deficit on the scheme is calculated based on the fair value of the assets and liabilities in the scheme. Fair values of the scheme assets are based on quoted market prices for the specific instrument, comparisons with other highly similar financial instruments, or the use of valuation models. The cost of providing benefits under the plan is determined by using the projected unit credit method. The valuation of the obligation is performed at each reporting year end by an independent qualified actuary. The pension benefit obligation is accounted for in the manner detailed in accounting policy 1(g).

3. Operating costs

Operating costs include auditor's remuneration, in their capacity as such, of £3,000 (2015: £3,000). Non audit fees in 2016 were £nil (2015: £nil).

The Directors received no emoluments from the Company during the year (2015: £nil).

Notes to the financial statements

for the year ended December 31, 2016

4. Income taxes relating to continuing operations

(a) Income tax recognised in profit or loss

	2016 £'000	2015 £'000
<i>Current income tax:</i>		
In respect of the current year	(415)	–
In respect of prior years	(2)	–
	<u>(417)</u>	<u>–</u>
<i>Deferred tax:</i>		
In respect of the current year	762	759
Adjustment recognised in the current year in relation to the current tax of prior years	(350)	(481)
	<u>412</u>	<u>278</u>
Total current income tax expense recognised in the current year relating to continuing operations	<u>(5)</u>	<u>278</u>

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

	2016 £'000	2015 £'000
Profit before tax from continuing operations	<u>20,403</u>	<u>3,674</u>
Income tax expense calculated at 20% (2015: 20.25%)	4,081	744
Effect of pension adjustment	(350)	(481)
Effect of prior year adjustment	(2)	–
Effect of unused tax losses not recognised as deferred tax assets	–	1
Effect of imputed transfer pricing adjustments	71	14
Effect of capital gain not taxable	<u>(3,805)</u>	<u>–</u>
Income tax expense recognised in profit or loss (relating to continuing operations)	<u>(5)</u>	<u>278</u>

The tax rates used for the 2016 and 2015 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The standard rate of UK corporation tax will be 19% for 2017.

(b) Income tax recognised in other comprehensive income

	2016 £'000	2015 £'000
Re-measurement of pension obligation	<u>(567)</u>	<u>1,946</u>
Total income tax recognised in other comprehensive income	<u>(567)</u>	<u>1,946</u>

Notes to the financial statements

for the year ended December 31, 2016

4. Income taxes relating to continuing operations (continued)

(c) Tax paid for cash flow purposes

	2016 £'000	2015 £'000
Current tax payable at January 1	–	52
Amounts charged to the income statement	(5)	–
Movements in deferred tax asset in the Statement of Comprehensive Income	(412)	–
Tax received/(paid) during the year	2	(52)
Current tax payable at December 31	(415)	–

(d) Current tax assets and liabilities

	2016 £'000	2015 £'000
Current tax assets	415	–

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2016 £'000	2015 £'000
Deferred tax assets	469	314

2016

	Opening balance £'000	Recognised in profit or loss £'000	Recognised in other comprehensive income £'000	Closing balance £'000
Deferred tax (liabilities)/assets in relation to:				
Pension	314	(412)	567	469
	314	(412)	567	469

2015

	Opening balance £'000	Recognised in profit or loss £'000	Recognised in other comprehensive income £'000	Closing balance £'000
Deferred tax (liabilities)/assets in relation to:				
Pension	2,538	(278)	(1,946)	314
	2,538	(278)	(1,946)	314

In 2016, a deferred tax asset on capital losses of £310k was not recognised.

Notes to the financial statements

for the year ended December 31, 2016

5. Investment

Investment in subsidiary undertakings

Group Undertakings	Country of Incorporation	Primary Business Operation	Cost of Investment £	Percentage Holding
AGF Pension Trustees Limited	England	Pension Trustees	100	100%

	Deemed Cost	
	2016 £'000	2015 £'000
Investment in subsidiary undertakings as at 1 January	61,800	61,800
and as at 31 December	–	61,800

The subsidiary, AGF Insurance Limited, was disposed of in 2016.

6. Accruals and other payables

	2016 £000	2015 £000
Accruals	543	–
Other payables	1,766	262
Total	2,309	262

7. Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid: 201,631,237 ordinary shares of £1 each	201,631	201,631

8. Ultimate parent undertaking

The immediate parent undertaking is Allianz Europe B.V., a company registered in the Netherlands.

The ultimate parent undertaking, Allianz Societas Europaea, is incorporated in Germany and is the parent of the largest and smallest group of undertakings for which group accounts are drawn up and of which the Company is a member. Copies of the group accounts are available on request from Allianz Societas Europaea, Königinstrasse 28, 80802 München, Germany.

Notes to the financial statements

for the year ended December 31, 2016

9. Other receivables

	2016 £000	2015 £000
Amounts due from related parties	86,761	6,319
Total other receivables	86,761	6,319
	2016 £000	2015 £000
Current other receivables	86,761	6,319
Non current other receivables	–	–

The carrying amounts disclosed above reasonably approximate fair values at year end.

10. Pensions and other post-retirement benefits

The Company sponsors a funded defined benefit pension scheme. The plan is administered by a separate board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the employer and members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits. The assets of the scheme are held in a separate trustee administered fund.

The AGF Pension and Life Assurance Scheme (the AGF Scheme) is a defined benefit pension scheme. This provides final salary benefits, although as of January 1, 2009 there are no remaining active members. Under the Scheme, members are entitled to annual pensions on retirement at age 65 (and some employees are entitled to retire at age 60) of one-sixtieth of final pensionable salary for each year of service. Benefits are also payable on death or if a member wishes to transfer to another scheme.

No other post-retirement benefits are provided.

Changes to IAS19

IAS19 was revised in 2011 and adopted for the accounting period beginning January 1, 2013. Thus, the figures provided in this report have been calculated under the revised IAS19.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last completed funding valuation of the AGF Pension and Life Assurance Scheme was carried out by a qualified actuary as at March 31, 2014 and showed a deficit of £21.7m. The Company has agreed to pay deficit contributions of £4.35m p.a. from April 1, 2015 until March 31, 2025 and £0.9m in March 2015 which, along with investment returns from return-seeking assets, is expected to make good this shortfall by March 31, 2025. A contribution of £4.35m was paid by the Company during the year ending on December 31, 2016.

The next funding valuation is due no later than March 31, 2017 at which progress towards full-funding will be reviewed.

Notes to the financial statements

for the year ended December 31, 2016

10. Pensions and other post-retirement benefits (continued)

Scheme Characteristics

The AGF Scheme is a Registered Scheme under the provisions of Schedule 36 of the Finance Act 2004.

The defined benefit obligation includes benefits for former employees and current pensioners. Approximately 50% of the liabilities are attributable to former employees and 50% to current pensioners.

The Scheme duration is around 18 years. This is an indicator of the weighted average time until benefit payments are made.

Risks associated with the AGF Pension and Life Assurance Scheme

The AGF Scheme exposes the Company to a number of risks. The most significant risks are:

- **Asset volatility** - The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The AGF Scheme holds a proportion of growth assets (equities and property) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the AGF Scheme's long term objectives, and was reduced during 2016 from 32% to target an allocation of 22.5%.
- **Changes in bond yields** - A decrease in corporate bond yields will increase the value placed on the AGF Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the AGF Scheme's bond holdings. The Scheme has increased its target bond holding (government and corporate) to 77.5% to address this risk.
- **Inflation risk** - A significant proportion of the AGF Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Whilst a proportion of the assets are correlated with inflation, an increase in inflation will likely increase the deficit.
- **Life expectancy** - The majority of the AGF Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

A table summarising the potential impact of these risk factors on the liabilities is set out later.

Change in deficit over the year

The deficit increased from £1.7m to £2.8m over the year.

The liability increase reflects a decrease in the discount rate of 1.0% and increase in inflation expectation of 0.3%.

The assets also increased over the year due to higher than expected market returns and the £4.35m deficit contribution.

Notes to the financial statements

for the year ended December 31, 2016

10. Pensions and other post-retirement benefits (continued)

Change in deficit over the year (continued)

The following table sets out the key IAS19 assumptions used for the AGF Scheme:

Assumptions:	December 31, 2016	December 31, 2015	December 31, 2014
RPI inflation	3.3%	3.0%	3.0%
CPI inflation	2.2%	1.8%	1.8%
Long term RPI/CPI difference	1.1%	1.2%	1.2%
Discount rate	2.9%	3.9%	3.7%
Pension increases (pre April 1997 including GMP)	3.5%	3.4%	3.4%
Pension increases (post April 1997)	3.7%	3.6%	3.6%
Life expectancy of male aged 60 in 2016 (2015 and 2014)	27.8	27.7	27.4
Life expectancy of male aged 60 in 2036 (2035 and 2034)	29.7	29.6	29.4

As at December 31, 2016, the Company has adopted an updated approach for deriving the discount rate. The Company believes that the updated approach uses a more robust method to extrapolate the corporate bond yield curve, given the current conditions in financial markets. The new approach has increased the discount rate adopted as at December 31, 2016 by around 0.15% pa which has reduced the defined benefit obligation as at December 31, 2016 by approximately £6m.

Sensitivity to key assumption

The key assumptions used for IAS19 are: discount rate, inflation and mortality. The sensitivity of the Defined Benefit Obligation (DBO) at December 31, 2016 to these assumptions is as follows:

		DBO £'000
Current Figure		213,225
	Change	19,947
Following a 0.5% decrease in the discount rate	New value	233,172
	Change	1,343
Following a 0.25% increase in the inflation assumption	New value	214,568
	Change	11,860
Following a 1 year increase in life expectancy	New value	225,085

Reporting at December 31, 2016

The results of the last full actuarial valuation were updated to the accounting date by an independent qualified actuary in accordance with IAS19. As required by IAS19, the value of the defined benefit obligation has been measured using the Projected Unit Credit method.

Notes to the financial statements

for the year ended December 31, 2016

10. Pensions and other post-retirement benefits (continued)

Change in deficit over the year (continued)

The amounts included in the balance sheet arising from the Company's obligations in respect of the AGF Scheme is as follows:

	<i>December 31, 2016 £000</i>	<i>December 31, 2015 £000</i>	<i>December 31, 2014 £000</i>
Present value of defined benefit obligation	(213,225)	(179,447)	(190,760)
Fair value of scheme assets	210,464	177,701	178,074
Liability recognised in the balance sheet	<u>(2,761)</u>	<u>(1,746)</u>	<u>(12,686)</u>

When determining the adjustment in respect of the minimum funding requirement, it has been assumed that the Company would be entitled to a refund from the Scheme of any surplus arising in the Scheme in the future once the benefits have been settled. This reflects the provisions of the Scheme documentation.

The amounts recognised in comprehensive income are as follows:

	<i>Year ending December 31, 2016 £000</i>	<i>Year ending December 31, 2015 £000</i>
Operating cost:		
Administration expenses	633	439
Financing cost:		
Interest on net defined benefit liability	<u>(90)</u>	<u>340</u>
Pensions expense recognised in profit and loss	543	779
Re-measurements in OCI:		
Return on plan assets (in excess of)/below that recognised in net interest	(29,802)	4,001
Actuarial losses/(gains) due to changes in financial assumptions	36,361	(5,336)
Actuarial gains due to changes in demographic assumptions	—	—
Actuarial gains due to liability experience	<u>(1,734)</u>	<u>(5,859)</u>
Total amount recognised in OCI	4,825	(7,194)
Total amount recognised in profit and loss and OCI	<u>5,368</u>	<u>(6,415)</u>

Notes to the financial statements

for the year ended December 31, 2016

10. Pensions and other post-retirement benefits (continued)

Change in deficit over the year (continued)

The current allocation of the AGF scheme's assets is as follows:

	December 31, 2016 £'000	December 31, 2015 £'000	December 31, 2014 £'000
Equity instruments	11%	21%	30%
Debt instruments	79%	67%	59%
Property	9%	11%	11%
Other (Cash)	1%	1%	—
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The value of assets not quoted in an active market is nil. Less than £0.5m of the fair value of the AGF scheme's assets, are in respect of the Parent Company's (Allianz SE) own financial instruments.

A reconciliation of the present value of the defined benefit obligation is as follows:

	2016 £'000	2015 £'000
Opening defined benefit obligation	179,447	190,760
Interest expense	6,880	6,930
Actuarial losses/(gains)	34,627	(11,195)
Benefits paid	(6,619)	(6,729)
Transfers out	(1,110)	(319)
Closing defined benefit obligation	<u>213,225</u>	<u>179,447</u>

A reconciliation of the fair value of the AGF scheme's assets is as follows:

	2016 £'000	2015 £'000
Opening fair value of the scheme assets	177,701	178,074
Interest income	6,970	6,590
Gains/(losses)	29,802	(4,001)
Contributions by the employer	4,353	4,525
Benefits paid	(6,619)	(6,729)
Transfers out	(1,110)	(319)
Administration expenses	(633)	(439)
Closing fair value of scheme assets	<u>210,464</u>	<u>177,701</u>

The actual return on the AGF scheme's assets over the year was a gain of £36.8m (2015: a gain of £2.6m).

Notes to the financial statements

for the year ended December 31, 2016

10. Pensions and other post-retirement benefits (continued)

Change in deficit over the year (continued)

Experience on the liabilities and assets of the AGF scheme's assets is as follows:

	2016 £'000	2015 £'000
Experience adjustments on scheme assets		
Amount of gain/(loss)	29,802	(4,001)
Percentage of scheme assets	14.2%	(2.3%)
Experience adjustments on scheme liabilities		
Amount of gain	1,734	5,859
Percentage of scheme liabilities	1.0%	3.3%

11. Staff numbers

The Company employs no staff, all services have been outsourced to a fellow member of Allianz Societas European Group.

12. Other related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at December 31 with other related parties, are as follows:

	2016 £000	2015 £000
Transactions entered into with related parties		
Management fee recieved from subsidiary	2,940	4,812
	<hr/>	<hr/>
	2016 £000	2015 £000
Due from related parties at December 31,		
Subsidiary	–	6,319
Other related parties	86,761	–
Total	<hr/> 86,761 <hr/>	<hr/> 6,319 <hr/>
	2016 £'000	2015 £'000
Due to related parties at December 31		
Other related party	1,766	262
Total	<hr/> 1,766 <hr/>	<hr/> 262 <hr/>

The amounts included above are not secured and are to be settled in cash. There are no provisions for doubtful debts related to the amount of outstanding balances.

13. Other non-distributable reserve

The non-distributable reserve for the Company represents the amount converted from share premium.