

Registered Number: 1141570

Directors' Report and Accounts 2014

AGF Holdings (UK) Limited

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COMPANIES HOUSE

Directors: B Bovermann (Chairperson)
J M Dye
M J Churchlow
G Gibson
R O Hudson

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, 2014.

Principal activity and review of the business developments

AGF Holdings (UK) Limited is a parent company and most of the activities of the group are conducted through subsidiary companies. The principal activity of the group is 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. No changes to the principal activity are anticipated in 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 £3.7m (2013: £4.2m). At the year end, the Company had net assets of £57.8m (2013: £53.7m).

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.

By order of the Board



M J Churchlow
Director

March 13, 2015

Directors' Report

The Directors present their Directors' Report and audited financial statements for the year ended December 31, 2014.

Results and dividends

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

The Directors do not recommend payment of a dividend for the year ended December 31, 2014 (2013: £nil).

Directors

The names of the current Directors are shown on page 1. All served throughout the period save for R O Hudson who served from his appointment as a Director of the Company on January 8, 2015.

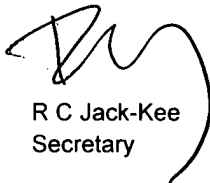
Directors' responsibility to the auditors

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.

Auditors

During the year, KPMG Audit Plc resigned as auditors of the Company and were replaced by KPMG LLP. In accordance with section 487 of the Companies Act 2006, the auditors will be deemed reappointed and KPMG LLP will therefore continue in office.

By order of the Board



R C Jack-Kee
Secretary

March 13, 2015

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, 2014 set out on pages 6 to 19. 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, 2014, 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.

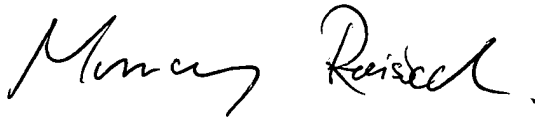
Independent Auditor's Report

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.



**Murray Raisbeck (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
London
E14 5GL

March 13, 2015

Statement of Comprehensive Income

For the year ended December 31, 2014

	Notes	2014 £000	2013 £000
Operating income		6,209	6,231
Operating costs	3	(967)	(292)
Operating profit		5,242	5,939
Finance cost - pensions	10	(535)	(1,120)
Other expenses		(115)	(18)
Profit before taxation		4,592	4,801
Tax charge	4	(934)	(577)
Profit for the year		3,658	4,224
Other comprehensive income:			
Gain on pension fund		550	8,962
Tax on gain on pension fund		(109)	(3,054)
Other comprehensive income for the period, net of tax		441	5,908
Total comprehensive income for the period, net of tax		4,099	10,132

The notes on pages 10 to 19 are an integral part of these financial statements.

Balance Sheet

As at December 31, 2014

	Notes	2014 £000	2013 £000
Assets			
Investment in subsidiary undertakings	5	61,800	61,800
Other receivables	9	6,181	6,001
Deferred taxation	6	2,538	3,529
Total assets		70,519	71,330
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		(222,383)	(226,482)
Total equity		57,781	53,682
Liabilities			
Defined benefit pension plan liability	10	12,686	17,648
Tax payable	6	52	-
Total liabilities		12,738	17,648
Total liabilities and shareholders' equity		70,519	71,330

The notes on pages 10 to 19 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on March 13, 2015 and signed on its behalf by:



M J Churchlow
Director

Statement of cash flows

For the year ended December 31, 2014

	Notes	2014 £000	2013 £000
Operating activities			
Profit before tax		4,592	4,801
<i>Changes in working capital</i>			
Increase in other receivables		(180)	(279)
Employer contribution to pension scheme		(5,907)	(5,917)
Pension charge in profit and loss		1,495	1,395
Decrease in accruals and other payables		-	-
Cash generated from operations		-	-
Net cash flow from operating activities		-	-
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 19 are an integral part of these financial statements.

Statement of changes in equity

for the year ended December 31, 2014

	Share capital £000	Other non distributable reserves £000	Retained earnings £000	Total £000
Balance as at January 1, 2013	201,631	78,533	(236,614)	43,550
Net profit for the year	-	-	4,224	4,224
Gain on pension fund	-	-	8,962	8,962
Tax on gain on pension fund	-	-	(3,054)	(3,054)
Balance as at December 31, 2013	201,631	78,533	(226,482)	53,682
Net profit for the year	-	-	3,658	3,658
Gain on pension fund	-	-	550	550
Tax on gain on pension fund	-	-	(109)	(109)
Balance as at December 31, 2014	201,631	78,533	(222,383)	57,781

The notes on pages 10 to 19 are an integral part of these financial statements.

Notes to the financial statements

for the year ended December 31, 2014

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, 2014 were authorised for by the Board of the Directors on March 13, 2015 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. It is a holding company and its main asset is its investment in AGF Insurance Limited.

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

The shareholding in AGF Insurance Limited is reported at cost.

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, 2014

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 (2013: £3,000). Non audit fees in 2014 were £nil (2013: £nil).

The Directors received no emoluments from the Company during the year (2013: £nil).

Notes to the financial statements

for the year ended December 31, 2014

4. Income tax charge

	2014 £000	2013 £000
(a) Tax on profit on ordinary activities		
Current income tax:		
UK corporation tax	(52)	-
Total current income tax	(52)	-
Deferred tax:		
Origination and reversal of timing differences	(882)	(577)
Total deferred tax	(882)	(577)
Tax charge in the income statement	(934)	(577)

With effect from April 1, 2015 the standard rate of corporation tax will be reduced to 20% from 21%, the applicable corporation tax rate for the year 2015 will be 20.25%.

	2014 £000	2013 £000
(b) Reconciliation of the total tax charge		
Profit before income tax	4,592	4,801
At the UK applicable rate of corporation tax of 21.5% (2013: 23.25%)	(987)	(1,116)
Other assessable expenses	(13)	(12)
Group relief	-	77
Non-deductible pension expenses	948	1,051
Total current tax charge	(52)	-
Pension deficit deferred tax asset	(882)	(577)
Total tax charge reported in the income statement	(934)	(577)

	2014 £000	2013 £000
(c) Tax paid for cash flow purposes		
Current tax payable at January 1	-	-
Amounts charged to the income statement	(934)	(577)
Movement in the deferred tax asset in the balance sheet	882	577
Release of tax creditor	-	-
Current tax payable at December 31	(52)	-

Notes to the financial statements

for the year ended December 31, 2014

5. Investment

Investment in subsidiary undertakings

Group Undertakings	Country of Incorporation	Primary Business Operation	Percentage Holding
AGF Insurance Limited	England	General Insurance	100%
AGF Pension Trustees Limited	England	Pension Trustees	100%

	Deemed Cost	
	2014 £'000	2013 £'000
Investment in subsidiary undertakings as at 1 January and 31 December	61,800	61,800

The Company made no adjustment to the valuation of its principal operating subsidiary, AGF Insurance Limited, during the year.

6. Tax assets and liabilities

	2014 £000	2013 £000
(a) Deferred tax asset		
At January 1	3,529	7,160
Provisions and other temporary differences	(882)	(577)
Pension movement through equity	(109)	(3,054)
At December 31	2,538	3,529
(b) Tax payable		
At January 1	-	-
Amount charged to the income statement	52	-
At December 31	52	-

In 2014, a deferred tax asset on capital losses of £365k was not recognised.

With effect from April 1, 2015 the standard rate of corporation tax will be reduced to 20% from 21%, the applicable corporation tax rate for the year 2015 will be 20.25%.

Notes to the financial statements

for the year ended December 31, 2014

7. Share capital

	2014	2013
	£000	£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.

9. Other receivables

	2014	2013
	£000	£000
Amounts due from related parties	6,181	6,001
Total other receivables	6,181	6,001

	2014	2013
	£000	£000
Current other receivables	6,181	6,001
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 for qualifying UK employees. 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 employees. 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, including the 2012 results where shown.

Notes to the financial statements

for the year ended December 31, 2014

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

The key changes are:

- Gains and losses are now recognised in full, immediately, during the year in which they arise through Other Comprehensive Income.
- The interest cost and expected return on asset items have been replaced by a single "net interest" item calculated at the discount rate.

There are also a number of smaller changes such as where scheme expenses are recognised. Previously these were included as a capitalised future value in the defined benefit obligation. Expenses are now recognised in the profit and loss in the year in which they occur.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the AGF Pension and Life Assurance Scheme was carried out by a qualified actuary as at March 31, 2011 and showed a deficit of £27.7 million. The Company is in the process of the completing the funding valuation as at 31 March 2014, which is expected to show a deficit of £21.7m. On completion of the 31 March 2014 valuation, it is expected the Company will pay deficit contributions of £3.6m p.a. from 1 April 2014 until 31 March 2021 which, along with investment returns from return-seeking assets, is expected to make good this shortfall by 31 March 2021.

The next funding valuation is due no later than 31 March 2017 at which progress towards full-funding will be reviewed. A contribution of £3.612m is expected to be paid by the Company during the year ending on 31 December 2015.

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 17 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 and there is no exact matching of assets and liabilities in the form of insurance policies or derivatives. 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 large proportion of growth assets (equities, diversified growth fund and global absolute return fund) 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.
- **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.
- **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). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also 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.

Notes to the financial statements

for the year ended December 31, 2014

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

Risks associated with the AGF Pension and Life Assurance Scheme (continued)

The liabilities increased over the year as the discount rate fell by 80 basis points partially offset by a fall in inflation by 40 basis points.

The assets have increased for two reasons:

1. The Company made a £5.9m contribution, which does not affect the liabilities and accounts for half the asset improvement.
2. Investment returns over 2014 were favourable. About two-thirds of the assets are invested in bonds which generated good returns over 2014 as a result of falling gilt yields.

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

The following table sets out the key IAS19 assumptions used for the AGF scheme.

Assumptions:	<i>December 31, 2014</i>	<i>December 31, 2013</i>	<i>December 31, 2012</i>
RPI inflation	3.0%	3.4%	3.0%
CPI inflation	1.8%	2.2%	2.3%
Long term RPI/CPI difference	1.2%	1.2%	0.7%
Discount rate	3.7%	4.5%	4.4%
Pension increases (pre April 1997 including GMP)	3.4%	3.5%	3.4%
Pension increases (post April 1997)	3.6%	3.7%	3.5%
Life expectancy of male aged 60 in 2014 (2013 and 2012)	27.4	28.1	28.0
Life expectancy of male aged 60 in 2034 (2033 and 2032)	29.4	30.2	30.1

Sensitivity to key assumption

The key assumptions used for IAS19 are: discount rate, inflation and morality. The sensitivity of the Defined Benefit Obligation (DBO) at December 31, 2014 to these assumptions is as follows:

		DBO £'000
Current Figure		190,760
	Change	16,884
Following a 0.5% decrease in the discount rate	New value	207,644
	Change	2,123
Following a 0.25% increase in the inflation assumption	New value	192,883
	Change	9,630
Following a 1 year increase in life expectancy	New value	200,390

Reporting at December 31, 2014

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

Notes to the financial statements

for the year ended December 31, 2014

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

Reporting at December 31, 2014 (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, 2014 £000</i>	<i>December 31, 2013 £000</i>	<i>December 31, 2012 £000</i>
Present value of defined benefit obligation	(190,760)	(174,885)	(176,355)
Fair value of scheme assets	178,074	157,237	145,223
Liability recognised in the balance sheet	<u>(12,686)</u>	<u>(17,648)</u>	<u>(31,132)</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. This reflects the provisions of the Scheme documentation.

The amounts recognised in comprehensive income are as follows:

	<i>Year ending December 31, 2014 £000</i>	<i>Year ending December 31, 2013 £000</i>
Operating cost:		
Current service cost	—	—
Administration expenses	960	275
Financing cost:		
Interest on net defined benefit liability	535	1,120
Pensions expense recognised in profit and loss	1,495	1,395
Remeasurements in OCI:		
Return on plan assets (in excess of)/below that recognised in net interest	(15,517)	(6,688)
Actuarial losses/(gains) due to changes in financial assumptions	20,787	(1,964)
Actuarial gains due to changes in demographic assumptions	(6,120)	—
Actuarial losses/(gains) due to liability experience	300	(310)
Total amount recognised in OCI	<u>(550)</u>	<u>(8,962)</u>
Total amount recognised in profit and loss and OCI	<u>945</u>	<u>(7,567)</u>

Notes to the financial statements

for the year ended December 31, 2014

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

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

	December 31, 2014 £'000	December 31, 2013 £'000	December 31, 2012 £'000
Equity instruments	30%	32%	29%
Debt instruments	59%	57%	61%
Property	11%	10%	9%
Other (Cash)	0%	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 £0.3m 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:

	2014 £'000	2013 £'000
Opening defined benefit obligation	174,885	176,355
Interest expense	7,720	7,610
Actuarial losses/(gains)	14,967	(2,274)
Benefits paid	(6,718)	(6,505)
Transfers out	(94)	(301)
Closing defined benefit obligation	<u>190,760</u>	<u>174,885</u>

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

	2014 £'000	2013 £'000
Opening fair value of the scheme assets	157,237	145,223
Interest income	7,185	6,490
Gains and losses	15,517	6,688
Contributions by the employer	5,907	5,917
Benefits paid	(6,718)	(6,505)
Transfers out	(94)	(301)
Administration expenses	(960)	(275)
Closing fair value of scheme assets	<u>178,074</u>	<u>157,237</u>

The actual return on the AGF scheme's assets over the year was a gain of £22.7m (2013: a gain of £13.2m).

Notes to the financial statements

for the year ended December 31, 2014

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

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

	2014 £'000	2013 £'000
Experience adjustments on scheme assets		
Amount of gain/(loss)	15,517	6,688
Percentage of scheme assets	8.7%	4.3%
Experience adjustments on scheme liabilities		
Amount of (loss)/gain	(300)	310
Percentage of scheme liabilities	(0.2%)	0.2%

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:

	2014 £000	2013 £000
Transactions entered into with related parties		
Management fee due from subsidiary	6,209	6,231
	<hr/>	<hr/>
	2014 £000	2013 £000
Due from related parties at 31 December,		
Subsidiary	6,181	6,001
	<hr/>	<hr/>
Total	<u>6,181</u>	<u>6,001</u>

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.