

Financial Insurance Group Services Limited

Report and Financial Statements
for the year ended 31 December 2014

Registered No. 1670707

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Directors and Principal Advisors

DIRECTORS

R. J. Brannock

A. Mas

J. Rember

J. S. Whiteus

SECRETARY

K. M. Pulley

REGISTERED OFFICE

Building 11
Chiswick Park
566 Chiswick High Road
London
W4 5XR

AUDITORS

KPMG LLP
15 Canada Square
London
E14 5GL

Directors' Report

The directors are pleased to present their report for the year ended 31 December 2014.

Dividends

Dividends amounting to £7,500,000 were paid during the year ended 31 December 2014. No dividends were paid in the year ended 31 December 2013.

Directors

The directors are shown on Page 1. The directors of the Company during the year ended 31 December 2014 were as follows:

R. J. Brannock
A. Mas
J. S. Whiteus
J. Rember

Third Party Indemnity Provisions

The Company provided qualifying third party indemnity insurance to one or more of its Directors during 2014. These provisions were still in force at the date these accounts were approved.

Political and Charitable Contributions

The Company made charitable donations of £3,372 during 2014 (2013: £10,155). No donations were made for political purposes during 2014 (2013: £nil).

Going Concern

Further to the Risks and Uncertainties discussed in the Strategic report on page 4, the directors have considered the guidance provided by the Financial Reporting Council on "Going Concern and Liquidity Risk" published in October 2009. The Board believes that the Company has adequate resources to continue in operation for the foreseeable future. The financial statements have accordingly been prepared on a going concern basis.

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- as far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of 418 of the Companies Act 2006.

Reappointment of Auditors

Pursuant to paragraph 44 of schedule 3 to SI 2007 No. 2194 the Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007, the directors have elected to dispense with the requirement to appoint auditors annually. KPMG LLP have expressed their willingness to continue as auditors.

By Order of the Board



J. S. Whiteus
Director

24th June 2015

Strategic Report

The directors are pleased to present their Strategic Report for the year ended 31 December 2014.

Business Review and Principal Activities

The Company is a wholly owned subsidiary of Genworth Financial UK Holdings Limited and operates as part of the Genworth Financial Inc. Corporate and Other division.

The principal activity of the Company is the provision of agency and management services to affiliated companies in the Genworth group of companies. The Company also provides claims administration, training and marketing consultancy services to the group. As well as operating in the UK, the Company has branches in Czech Republic, Germany, Hungary, Ireland, Netherlands, Greece, Slovakia, Norway, Poland, Italy, Belgium and Sweden to support the activities of Financial Insurance Company Limited, Financial Assurance Company Limited and Financial Insurance Guernsey PCC Limited.

There have not been any significant changes in the Company's principal activities in the year under review. Other than as noted below, the directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown on the profit and loss account on page 8, turnover has decreased by 2.21% from £83,281,000 to £81,443,000 driven by a decrease in the underlying operating expenses recharged. Retained profit after tax has decreased from £7,736,000 to £3,733,000, mainly due to lower margins on operating expenses recharged and lower interest from investment income.

Amounts owed by and to group entities are shown in note 11 on page 19 and note 13 on page 20 respectively.

The sole purpose of the Company is to act as a group services company. The Company seeks to recover all costs through recharges to group companies.

The ultimate parent, Genworth Financial, Inc., manages its operations on a divisional basis, covering U.S. Life Insurance, Global Mortgage Insurance and Corporate and Other. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the International Protection segment of Genworth Financial Inc., which included this Company for 2014, is discussed in the group's Annual Review that does not form part of this Report.

The directors have made an election not to prepare consolidated accounts for Financial Insurance Group Services Limited and its subsidiaries under section 401 of the Companies Act 2006.

Employees

Details of the number of employees and related costs can be found in note 1 to the financial statements on page 13.

Financial Instruments

The principal financial instruments of the Company are debtors, inter-group debtors, cash, money market funds, creditors and inter-group creditors.

Subsequent Events

In January 2015, a formal process for the sale of the Lifestyle Protection business of Genworth was initiated. The Company forms an integral part of this business and its ultimate ownership and structure could be impacted by a potential sale.

Strategic Report (continued)

Principal Risks and Uncertainties

The Directors have determined the risk appetite of the Company and manage its various risks listed below, through the delegated authorities given to the CEO, The Investment Committee of the Company and the Risk and Capital Committee of the Company over which the Board of Directors retains oversight and authority either directly or through the Audit, Risk and Compliance Committee.

The Company's overall approach to dealing with risk can be defined as follows:

- Assignment of authority, responsibility and accountability for risk areas within the Company;
- Identification of the key risks that exist within these areas;
- Measurement of risks by assessing the pertinence to the Company, stress and scenario testing and understanding the risk information and risk measurement techniques;
- Monitoring risks through mechanisms such as risk assessments, compliance reviews, risk committees and internal or external audits; and
- Management of risk - this is detailed in the risk analysis below.

The key risk areas affecting the Company are as follows:

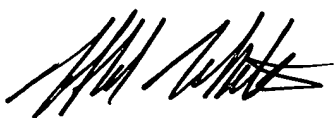
- *Market risk* – This is defined as the risk of loss due to adverse fluctuations in interest rates, exchange rates and commodity prices. The Company is exposed to market risk due to its participation in the Genworth Financial UK Pension Scheme. This scheme closed to future accrual on 31st December 2013. The deficit / surplus in the scheme is a function of the value of assets and liabilities held directly by the scheme. These values are affected by fluctuations in interest rates and the market price of investments. The scheme assets include the following financial instruments: property, equity, interest bearing securities. The boards of trustees of the scheme have implemented a statement of investment principles that sets out the investment strategy to be followed. This statement aims to best match assets held with the profile of the liabilities and is monitored on a regular basis. The trustees also review analyses of the sensitivity of liabilities to changes occurring under different scenarios. Separate schemes are maintained for staff employed within the German branch and for senior executives. These schemes are unfunded and as such the Company is exposed to the risk of increased liabilities due to changes in interest rates. Foreign exchange risk exists through the inter company accounts held with European branches of the Group. Larger balances are settled on a monthly basis.
- *Credit risk* – This is defined as the risk of potential losses resulting from defaults by a borrower, reinsurer or counterparty. Surplus cash is invested in money market funds which meet minimum criteria or on deposits with entities approved at Corporate Treasury level. The Treasury department is responsible for reviewing actual exposure of these funds against counterparty limits set and regularly reviewed by Corporate Treasury.
- *Operational risk* - This is defined as the risk of loss arising from inadequate or failed internal processes, people or systems. This is managed through the Risk and European Control Committees that review and monitor operational risks and report on these to the Board and Audit, Risk and Capital Committees. An Operational Risk Manager establishes and implements operational risk procedures, carries out a full six-monthly review of operational risks and reports on this to the European Controls Committee, and works with stakeholders to implement action plans to mitigate the risks, in addition, the Risk function works with the business units to define and monitor key risk indicators on a regular basis.
- *Liquidity risk* – This is defined as financial risk due to uncertain liquidity. Exposure to liquidity risk occurs when the Company is not able to meet its obligations as they fall due because of insufficient liquid assets or inadequate access to funding. This is managed through the implementation of a liquidity policy that requires the maintenance of adequate cash balances based on analysis of forecast information and pre-established targets. Short-term funds are managed by the Treasury function in accordance with the liquidity policy approved by the Lifestyle Protection Investment Committee. Excess cash is deposited in money market funds or on deposit with entities that meet minimum criteria and are managed to certain counterparty limits, as set out in the liquidity policy and approved at Corporate Treasury level. A Treasury manager is responsible for the Company's liquidity.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

- *Group risk* - This is defined as the risk of any other group company causing a substantial failure in the ability of the Company to meet its regulatory and legal requirements. These risks are managed through the implementation of effective corporate governance structures, on-going monitoring of the Genworth Group credit ratings and availability of a financial support arrangement with the US parent company. The company is also exposed to the risk of deficits arising within the UK defined benefit scheme as it funds any past service contributions through the group recharge mechanism.

By Order of the Board



Jeffrey S. Whiteus
Director

24th June 2015

Statement of Directors' Responsibilities in Respect of the Directors' Report, Strategic Report and the Financial Statements

The directors are responsible for preparing the Directors' Report, Strategic 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).

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Independent Auditor's Report to the Members of Financial Insurance Group Services Limited

We have audited the financial statements of Financial Insurance Group Services Limited for the year ended 31 December 2014, set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member those matters we are required to state to it in an auditors' 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 (APB'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 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

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.



Timothy Butchart (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
20th July 2015

**Profit and Loss Account
for the year ended 31 December 2014**

		2014	Restated 2013
	Notes	£'000	£'000
Turnover		81,443	83,281
Staff costs	1	39,016	39,372
Other operating expenses	4	37,358	34,249
		<u>76,374</u>	<u>73,621</u>
Operating profit		5,069	9,660
Other interest receivable and similar income		75	1,160
Interest payable and similar charges	5	(338)	(802)
Profit on ordinary activities before taxation		<u>4,806</u>	<u>10,018</u>
Tax on profit on ordinary activities	6	(1,073)	(2,282)
Retained profit for the financial year	14	<u>3,733</u>	<u>7,736</u>

The results for the year represent the continuing operations of the Company.

The notes on pages 11 to 25 form part of these financial statements.

**Statement of Total Recognised Gains and Losses
for the year ended 31 December 2014**

		2014	Restated
	Notes	£'000	2013
			£'000
Profit for the financial year		3,733	7,736
Currency translation differences	14	(1,594)	184
Actuarial (loss)/ gain on the pension scheme	17	(3,638)	3,249
Deferred tax movement on actuarial gain on pension scheme		403	(953)
Contribution in relation to share based payment		184	(2,052)
Movement in unrecognised surplus on pension scheme		1,979	(11,848)
Total recognised gains and losses relating to the year		1,067	(3,684)

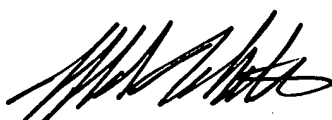
The notes on pages 11 to 25 form part of these financial statements.

Balance Sheet
as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed Assets			
Intangible assets	8	14,369	15,201
Tangible assets	10	17,226	7,894
Investment in group undertakings	9	1,383	1,383
		<u>32,978</u>	<u>24,478</u>
Current assets			
Debtors	11	12,805	9,947
Cash at bank and in hand	12	8,237	16,449
		<u>21,042</u>	<u>26,396</u>
Creditors: amounts falling due within one year	13	(21,409)	(13,708)
Net current (liabilities)/ assets		<u>(367)</u>	<u>12,688</u>
Total assets		<u>32,611</u>	<u>37,166</u>
Pension liability	17	(5,401)	(3,523)
Net assets		<u>27,210</u>	<u>33,643</u>
Capital and reserves			
Called up share capital	15	22,214	22,214
Share premium account	14	1,274	1,274
Other reserves	14	(4,948)	(3,354)
Profit and loss account	14	8,670	13,509
Total shareholder's funds		<u>27,210</u>	<u>33,643</u>

The notes on pages 11 to 25 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24th June 2015 and signed on its behalf by:



J. S. Whiteus
Director

Notes to the Financial Statements
Statement of Accounting Policies
at 31 December 2014

A Basis of presentation

The financial statements of the company have been prepared in accordance with the provisions of section 396 of the Companies Act 2006 including applying the requirements set out in Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to individual companies. The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate holding company, Genworth Financial Inc. includes the Company in its own published consolidated financial statements.

B Going Concern

The directors, at the time of approving the financial statements, had a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. More detail is contained in the Directors' Report.

C Turnover

Turnover, which excludes Value Added Tax, represents charges for agency and management services provided to other group companies and agents.

D Intangible Assets

Intangible assets are capitalised and depreciated by equal annual instalments over their estimated useful lives. The principal rates used for this are as follows:

	Per annum
Capitalised software	20 %

E Tangible Assets

Tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful lives.

The principal rates used for this are as follows:

	Per annum
Computer equipment	20 %
Furniture and equipment	10 %
Land & Buildings	2.5 %

F Leased Assets

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

Provision is made at the inception of the operating lease for the present value of any costs that have to be incurred at the end of the lease to return the property to its original condition.

G Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, using the liability method without discounting, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the year, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses.

Notes to the Financial Statements Statement of Accounting Policies at 31 December 2014

H Pension Scheme

The Company participates in a number of defined benefit and defined contribution pension schemes. The pension liability recognised in the balance sheet is the value of the defined benefit schemes' assets less the present value of the schemes' liabilities.

The pension cost for the defined benefit schemes is analysed between current service cost, past service cost and net return on the scheme. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss account on a straight line basis over the period in which the increase in benefits vest. Where schemes have been closed to future accrual, no surplus is recognised on the balance sheet, unless the surplus can be recovered through a refund from the scheme or a reduction in future employee contributions.

The pension cost for the defined contribution scheme is recognised in the profit and loss account, which equals the contributions payable to the scheme for the year.

Net expected return on the pension asset comprises the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of recognised gains and losses for the period. The attributable deferred taxation is shown separately in the statement of recognised gains and losses.

I Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The results of overseas branches are translated at the average rate of exchange for the year. Other transactions are translated at the actual rate on the date of the transactions. Exchange differences arising from the re-translation of the opening foreign currency denominated net assets of the European branches are taken to reserves and reported in the statement of total recognised gains and losses. Other foreign exchange differences are reported in the profit and loss account.

J Investments

Investments in subsidiary undertakings are included in the balance sheet at cost unless their value has been impaired, in which case they are valued at their realisable value or value in use as appropriate.

K Share Based Payment

The Company has applied the requirements of FRS 20 (IFRS 2) 'Share-based Payment'. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

Genworth Financial Inc. issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by the use of the Black-Scholes pricing model.

Genworth Financial Inc. also provides employees with restricted stock units at the current market value of Genworth Financial Inc. shares at the date of grant. The Company records an expense, based on its estimate of the units expected to vest on a straight-line basis over the vesting period.

In prior years the expense was carried by Genworth Financial Inc. and was not charged to the Company. As such, a deemed capital contribution equivalent to the profit and loss charge was recognised within shareholders equity. This is in line with the treatment prescribed in UITF Abstract 44 'Group and Treasury Share Transactions'. Since 2013, the cash cost to Genworth Financial Inc. of share options has been charged to the Company and accordingly the deemed capital contributions recognised has been reduced.

**Notes to the Financial Statements
For the year ended 31 December 2014**

1. Staff Costs

	2014	2013
	£'000	£'000
Wages and salaries	29,827	30,142
Severance costs	457	2,088
Social security costs	4,577	3,974
Share based costs	1,360	1,033
Pension costs	2,795	2,135
	<u>39,016</u>	<u>39,372</u>

Other pension costs includes :

Current service cost to defined benefit pension schemes	372	1,061
Regular contribution to defined contribution scheme and to multi-employer defined benefit scheme	1,870	1,549
Curtailment gain	-	(1,200)
	<u>2,242</u>	<u>1,410</u>

The average number of employees during the year was as follows:

	2014	2013
	No.	No.
Administration and operations	508	531

2. Share Based Payment

Share options and restricted stock units are issued to employees under the 2004 Genworth Financial Inc. Omnibus Incentive Plan.

Since the IPO, further share options and restricted stock units have been granted. During the year ended 31 December 2014, 230,950 share options were granted with an exercise price of \$15.23. During the year ended 31 December 2013, 223,100 share options were granted with an exercise price of \$9.06.

Equity-settled share option scheme

In May 2009, stockholders approved, and in July 2009 we commenced, an offer to eligible employees to exchange eligible stock options for a reduced number of stock options (the 'Replacement Awards'). The exercise price of the Replacement Awards was \$7.80, which was the closing price of our Class A Common Stock on 19th August 2009, as reported on the New York Stock Exchange. The Replacement Awards have the same term (or expiration date) as the old eligible options for which they were exchanged, and will vest and become exercisable, subject to continued employment, over a three or four year period.

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Number of Share Options	Weighted Average Exercise Price (in \$)	Number of Share Options	Weighted Average Exercise Price (in \$)
Outstanding at beginning of period	742,907	11.04	770,177	10.8
Granted during the period	230,950	15.23	223,100	9.06
Transfers out of employees	-	-	(8,410)	10.53
Forfeited during the period	(31,205)	20.18	(99,316)	10.54
Exercised during the period	(49,186)	12.61	(142,644)	7.08
	<u>893,466</u>	<u>11.91</u>	<u>742,907</u>	<u>11.04</u>
Outstanding at the end of the period	893,466	11.91	742,907	11.04

Notes to the Financial Statements For the year ended 31 December 2014

2. Share Based Payment (continued)

The weighted average share price at the date of exercise for share options exercised during the period was \$12.61 (2013: \$7.08). The options outstanding at 31 December 2014 had a weighted average exercise price of \$11.91 (2013: \$11.04) and vest between 2015 and 2019. In 2014, options were granted on 20 February 2014. The aggregate of the estimated fair values of the options granted on this date is £429,154. In 2013, options were granted on 15 February 2013. The aggregate of the estimated fair values of the options granted on this date was £344,992.

The inputs into the Black-Scholes option pricing model are as follows for the most recent grants:

	2014	2013
Weighted average share price (\$)	15.23	9.06
Expected volatility	100%	102%
Expected life (years)	6.00	6.00
Risk-free rate	1.96%	1.39%
Expected dividends	0.50%	0.50%

Other share-based payment plans

Restricted stock units represent the right to receive shares in the future if employment continues with the Company. During the year ended 31 December 2014, 243,600 restricted stock units were granted, all of which will vest on the 4th anniversary of the grant date. During the year ended 31 December 2013, 242,600 restricted stock units were granted, all of which will vest on the 4th anniversary of the grant date.

The grant date fair value of the restricted stock units is measured at the market price of the shares of Genworth Financial Inc. at the grant date.

The new restricted stock units weighted-average grant date fair value is as follows:

	2014	2013
	\$	\$
Fair value per restricted stock unit at grant date	14.84	9.84

The Company recognised total expenses of £1,359,877 and £1,033,267 related to equity settled share-based payment transactions in 2014 and 2013 respectively.

3. Directors Remuneration

	2014	2013
	£'000	£'000
Emoluments	1,709	1,934
Company contributions to money purchase schemes	24	16
	<u>1,733</u>	<u>1,950</u>

	2014	2013
The number of directors who :	No.	No.
Are members of a defined benefit pension scheme	4	4
Are members of a money purchase pension scheme	2	2
Exercised share options	1	4
Had shares receivable under a long-term incentive schemes	4	4

Notes to the Financial Statements
For the year ended 31 December 2014

3. Directors Remuneration (continued)

	2014	2013
	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	749	913
Company contributions to money purchase schemes	14	16
	<u>763</u>	<u>929</u>
Amounts accruing under defined benefit schemes	<u>78</u>	<u>81</u>

The highest paid director did not exercise share options during the period. Shares were receivable by the highest paid director under a long-term incentive scheme in the current and prior year.

Total remuneration paid to directors has been disclosed as it is not possible to separately identify the portion relating to qualifying services provided to this Company.

4. Other Operating Expenses

Profit on ordinary activities is stated after charging:	2014	2013
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual accounts	19	40
Audit-related assurance services	3	-
Tax compliance services	8	21
Fees payable to the Company's auditors and their associates in respect of associated pension scheme	<u>15</u>	<u>18</u>
Depreciation of owned assets	6,054	6,471
Hire of plant and machinery, including operating lease rentals	111	98
Operating lease rentals for land and building	<u>2,886</u>	<u>2,889</u>

5. Interest Payable and Similar Charges

	2014	2013
	£'000	£'000
Interest payable and similar charges wholly repayable within five years is as follows:		
Interest payable and bank charges	264	293
Investment management fees	159	188
Realised foreign currency translation (gain) / loss	<u>(85)</u>	<u>321</u>
	<u>338</u>	<u>802</u>

**Notes to the Financial Statements
For the year ended 31 December 2014**

6. Taxation

	2014	2013
	£'000	£'000
(a) United Kingdom corporation tax:		
Current tax on profit for the period	2,640	3,361
Adjustments to tax charge in respect of prior periods	(390)	93
Relief of foreign taxes against UK tax	(377)	(307)
	<u>1,873</u>	<u>3,147</u>
Foreign tax		
Current tax on income for the period	336	168
	<u>2,209</u>	<u>3,315</u>
Deferred Tax:		
Origination and reversal of timing differences	(1,156)	(788)
Impact of change in UK Tax Rate	53	(47)
Adjustment to tax charge in respect of previous periods	(33)	(198)
	<u>1,073</u>	<u>2,282</u>
Tax on profit on ordinary activities	1,073	2,282

(b) Factors affecting the tax charge:

The current tax charge for the year is lower than the applicable rate of corporation tax in the UK 21.50%, (2013: 23.25%). The differences are explained below :

	2014	2013
	£'000	£'000
Profit on ordinary activities before tax	4,806	10,018
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	1,033	2,328
Permanent disallowable items for UK taxation	254	128
Foreign taxation	336	168
Short term timing differences	1,353	905
Prior year tax adjustments	(390)	93
Double taxation relief	(377)	(307)
	<u>2,209</u>	<u>3,315</u>
Total current tax charge for the period (see above)	2,209	3,315

**Notes to the Financial Statements
For the year ended 31 December 2014**

(c) Deferred tax:

The components of the net deferred tax asset movement are as follows. The balances have not been discounted.

	2014	2013
	£'000	£'000
Short term timing differences	(137)	(75)
Fixed asset depreciation in excess of capital allowances claimed	1,273	1,108
	1,136	1,033
Deferred tax liability offset against pension liability	403	(953)
Deferred tax liability offset against CTA	(36)	-
Total net deferred tax asset movement	1,503	80

(d) Reconciliation of movement in deferred tax:

	2014	2013
	£'000	£'000
Deferred tax asset at beginning of year	720	640
Deferred tax asset in profit and loss for the year	1,156	788
Deferred tax credit STRGL for the year	403	(953)
Deferred tax liability offset against CTA	(36)	-
Adjustment relating to change in UK tax rate	(53)	47
Adjustments relating to prior years	33	198
Deferred tax asset at end of year	2,223	720

The calculation of deferred tax balances at the year end also takes into account the reductions in the UK main corporation tax rate to 21%.

A reduction in the UK tax rate from 21% to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013.

The deferred tax asset at 31st December 2014 (which has been calculated based on the rate of 20% substantively enacted at the balance sheet date) has been decreased by £53,000 to reflect this rate change.

7. Dividend Paid

£7,500,000 dividends were paid during the year ended 31 December 2014. No dividends were declared or paid in year ended 31 December 2013.

**Notes to the Financial Statements
For the year ended 31 December 2014**

8. Intangible Assets

	2014	2013
	£'000	£'000
Cost – Capitalised Software		
At 1 January	52,314	46,798
Additions for the year	4,367	5,116
Movement in foreign exchange	(1,201)	400
At 31 December	<u>55,480</u>	<u>52,314</u>
Amortisation- Capitalised Software		
At 1 January	(37,113)	(31,656)
Charge for the period	(4,764)	(5,310)
Movement in foreign exchange	766	(147)
At 31 December	<u>(41,111)</u>	<u>(37,113)</u>
Net Book value at 31 December	<u>14,369</u>	<u>15,201</u>

9. Investment in Group Undertakings

Shares in subsidiary Undertakings

	2014	2013
	£'000	£'000
Cost		
At 1 January and 31 December	<u>1,383</u>	<u>1,383</u>

Set out below are the group undertakings, as at 31 December 2014 with details of the percentages of voting rights held by the Company:

Name of Undertaking	Country of Incorporation	Percentage of Shares held	Direct / Indirect	Activity
Genworth Operaciones Colombia SAS	Colombia	100% Ordinary shares	Direct	Insurance administration
Genworth Operaciones S de R. L .de C.V.	Mexico	99.9% Ordinary shares	Direct	Insurance administration

Notes to the Financial Statements
For the year ended 31 December 2014

10. Tangible Assets

	Land & Buildings	Leasehold Improvements	Computer Equipment	Furniture and Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2014	5,562	6,769	32,469	9,727	54,527
Additions	8,643	66	1,676	1,056	11,441
Disposals	-	(395)	-	(30)	(425)
Write-offs	-	(21)	-	-	(21)
Exchange movements	(684)	(308)	(420)	(232)	(1,644)
At 31 December 2014	13,521	6,111	33,725	10,521	63,878
Depreciation					
At 1 January 2014	-	(6,353)	(31,155)	(9,125)	(46,633)
Charge for the year	(85)	(177)	(702)	(347)	(1,311)
Disposals	-	395	-	30	425
Write-offs	-	21	-	-	21
Exchange movements	1	302	332	211	846
At 31 December 2014	(84)	(5,812)	(31,525)	(9,231)	(46,652)
Net Book value at 31 December 2014	13,437	299	2,200	1,290	17,226
Net Book value at 31 December 2013	5,562	416	1,314	602	7,894

11. Debtors

	2014	2013
	£'000	£'000
Trade debtors	-	7
Amounts owed by Group undertakings	8,712	6,748
Other debtors	62	111
Taxation and social security	-	438
Deferred tax	2,223	720
Prepayment and accrued income	1,808	1,923
	12,805	9,947

Notes to the Financial Statements
For the year ended 31 December 2014

12. Cash at Bank and In Hand

The Company has cash and cash equivalents at 31 December 2014 of £8,236,791 (2013: £16,448,544), including money market investments of £4,655,505 (2013: £10,133,316). Of this cash, £46,348 (2013: £49,602) is restricted as collateral for a letter of credit.

13. Creditors: Amounts falling due within one year

	2014	2013
	£'000	£'000
Amounts owed to Group undertakings	8,459	2,011
Taxation and social security	2,194	693
Accruals and deferred income	10,286	9,669
Other creditors	470	1,335
	21,409	13,708

Accruals and deferred income include a dilapidation provision of £648,000 (2013: £1,194,000) for restoring leasehold properties to their original condition upon termination of the lease, a bonus provision and a leave provision.

	Dilapidation Provision	Bonus Provision	Leave Provision
	£'000	£'000	£'000
Balance as at 1 January	1,194	3,811	231
Change in provision	(540)	99	101
Movement in foreign exchange	(6)	(162)	(33)
	648	3,748	299

**Notes to the Financial Statements
For the year ended 31 December 2014**

14. Reconciliation of Movements in Shareholders' Funds

	Called Up Share Capital	Share Premium Account	Other Reserves	Profit & Loss Account	Total
	£'000	£'000	£'000	£'000	£'000
Opening shareholders' funds at 1 Jan 2014	22,214	1,274	(3,354)	13,509	33,643
Actuarial loss on pension scheme	-	-	-	(3,638)	(3,638)
Movement on deferred tax relating to pension scheme	-	-	-	403	403
Contribution in relation to share based payment (Note 2)	-	-	-	184	184
Movement in unrecognised surplus	-	-	-	1,979	1,979
Dividends paid	-	-	-	(7,500)	(7,500)
Profit for the financial year	-	-	-	3,733	3,733
Currency translation differences	-	-	(1,594)	-	(1,594)
Closing shareholders' funds at 31 Dec 2014	22,214	1,274	(4,948)	8,670	27,210

Other reserves consist of foreign currency translation adjustments arising on the translation of the results of overseas branches.

	2014	Restated 2013
	£'000	£'000
Analysis of profit and loss account excluding pension liability :		
Profit and loss account (excluding pension liability)	13,055	16,298
Pension liability	(4,385)	(2,789)
Profit and loss account	8,670	13,509

15. Share Capital

	2014	2013
	£'000	£'000
Allotted, called up and fully paid:		
22,214,328 (2013:22,214,328) Ordinary Shares at £1 each	22,214	22,214

16. Financial Commitments

Annual commitments under non-cancellable operating leases are as follows :

	2014			2013		
	£'000	£'000	£'000	£'000	£'000	£'000
	Land and Buildings	Other	Total	Land and Buildings	Other	Total
Operating leases which expire :						
Within one year	1,663	51	1,714	113	92	205
In the second to fifth years inclusive	395	119	514	2,719	140	2,859
Over five years	-	-	-	266	-	266
	2,058	170	2,228	3,098	232	3,330

**Notes to the Financial Statements
For the year ended 31 December 2014**

17. Pensions

UK Pension Schemes

In the UK, the Company participated during the year in one combined defined contribution scheme and one defined benefit pension scheme. The defined benefit pension scheme was closed to future accrual on the 31 December 2013.

Under FRS 17 the costs of the combined defined contribution schemes (GE Capital Retirement Savings Plan and ERS Stakeholder Scheme) recognised in the profit and loss account are £1,194,644 which equal the contributions payable to the schemes for the year (2013: £913,619).

The UK defined benefit scheme (Genworth Financial UK Pension Scheme) provides retirement benefits based on final pensionable salary and is accounted for in accordance with FRS 17 as a defined benefit scheme whereby a pension scheme liability is recognised to the extent that the Company's pension obligations exceed the assets attributable to the Company in the pension scheme.

As the scheme closed to future accrual in 2013, the company made no contributions in 2014. In 2013, the company contributed at the rate of 17.5% of basic salary as agreed during 2010. All expenses in 2013 were paid directly by the Company rather than from the Scheme. The employer also met the cost of the Pension Protection Fund levy.

In 2014, the company made no deficit reduction contributions. In 2013, these contributions were made at the agreed rate of £128,480 per month for 7 months in addition to a lump sum contribution of £420,368 in September 2013.

Regular employer contributions to the Scheme in 2014 are estimated to be nil as a result of the closure of the scheme to future accrual effective 31 December 2013.

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Scheme as at 5 April 2012. The present values of the defined benefit obligation and any past service costs were measured using the projected unit credit method. As the Scheme is now closed to future accrual, there will be no service cost going forward.

The net surplus on the scheme as at 31 December 2014 was £9,869,000. This surplus has not been recognised on the balance sheet in accordance with FRS 17. The surplus that can be recognised is restricted to the value of future benefits to be accrued in the scheme. As the Scheme is now closed to future accrual, a nil value has been taken in respect of the surplus.

German Pension Scheme

In addition, the Company has set up an unfunded scheme for staff that are employed in the German branch. This separate scheme has been set up due to the provisions of German pensions legislation. A valuation was performed for this scheme as at 31 December 2011.

SERP

The Company also has two further senior executive retirement plans in the United Kingdom and Ireland.

The following information relates to the UK Defined Benefit Scheme, the German Pension Scheme and the SERPs:

Notes to the Financial Statements
For the year ended 31 December 2014

17. Pensions (continued)

Reconciliation of funded status to balance sheet

	2014	2013
	£'000	£'000
Fair value of scheme assets	67,236	59,409
Present value of funded defined benefit obligations	(62,768)	(51,084)
	<u>4,468</u>	<u>8,325</u>
Unrecognised asset	(9,869)	(11,848)
Pension liabilities	<u>(5,401)</u>	<u>(3,523)</u>
Related deferred tax asset	1,016	644
Net pension liability	<u>(4,385)</u>	<u>(2,879)</u>

Analysis of profit and loss charge

	2014	2013
	£'000	£'000
Current service cost	374	1,061
Interest cost	2,209	2,254
Expected return on scheme assets	(2,116)	(3,241)
Curtailement gain	-	(1,200)
Amortisation of unrecognised net gain	(2)	-
Expense recognised in profit and loss	<u>465</u>	<u>(1,126)</u>

Changes to the present value of the defined benefit obligation during the year

	2014	2013
	£'000	£'000
Opening defined benefit obligation	51,084	48,639
Current service cost	374	1,061
Interest cost	2,209	2,254
Contributions by scheme participants	-	110
Actuarial losses on scheme liabilities	9,673	680
Net benefits paid out	(324)	(532)
Curtailements	-	(1,200)
Foreign exchange translation	(249)	72
Closing defined benefit obligation	<u>62,767</u>	<u>51,084</u>

**Notes to the Financial Statements
For the year ended 31 December 2014**

17. Pensions (continued)

Changes to the fair value of scheme assets during the year

	2014	2013
	£'000	£'000
Opening fair value of scheme assets	59,409	50,652
Expected return on scheme assets	2,116	3,241
Actuarial gains on scheme assets	6,035	3,929
Contributions by the employer	-	1,792
Contributions by scheme participants	-	110
Net benefits paid out	(324)	(316)
Closing fair value of scheme assets	<u>67,236</u>	<u>59,409</u>

The major categories of plan assets as a percentage of total plan assets are as follows:

Plan assets

	2014		2013	
	£'000	(%)	£'000	(%)
Equities	22,688	33.74	30,028	50.54
Property	1,908	2.84	1,616	2.72
Government bonds	26,811	39.88	12,059	20.30
Corporate bonds	13,489	20.06	11,709	19.71
Other	2,340	3.48	3,997	6.73
Total	<u>67,236</u>		<u>59,409</u>	

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	2014	2013
	weighted average % p.a.	
Discount rate for scheme liabilities	3.4%	4.4%
Expected weighted return on plan assets	3.4%	6.2%
RPI Inflation	3.1%	3.4%
CPI Inflation	2.0%	2.4%
Pension Increases – RPI (5.0%)	2.9%	3.1%
Pension Increases – CPI (5.0%)	2.1%	2.4%
Rate of general long-term increase in salaries	<u>0.3%</u>	<u>3.5%</u>

The average expected return on assets includes separate expectations of returns on equities, property, government bonds, corporate bonds and other assets, weighted in accordance with the year-end assets composition as set out above. Management, in consultation with the plan actuary, has set these returns.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements.

**Notes to the Financial Statements
For the year ended 31 December 2014**

17. Pensions (continued)

History of asset values, defined benefit obligation, and surplus/(deficit) in scheme (before disallowed surpluses)

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	67,236	59,409	50,652	44,697	40,901
Defined benefit obligation	(62,768)	(51,083)	(48,639)	(44,599)	(40,467)
Surplus in schemes	4,468	8,325	2,013	98	434

History of experience gains and losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Experience gains/(losses) on scheme assets	6,035	3,929	1,725	(783)	2,372
Experience (losses) / gains on scheme liabilities	(9,673)	(680)	(1,688)	(1,447)	178

18. Related Party Transactions

As the Company is a wholly owned subsidiary of Genworth Financial Inc. It has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities that form part of this Group. Related party transactions and balances are disclosed in the group accounts prepared for Genworth Financial Inc. See note 19 for details to obtain a copy of the financial statements for Genworth Financial Inc.

19. Ultimate Parent Company

The Company's ultimate parent company is Genworth Financial Inc. ("GNW"), a company registered in the state of Delaware in the United States of America. GNW is the parent of the largest and smallest group of which the Company is a member and for which group financial statements are prepared. The group financial statements of GNW are available to the public and may be obtained from Genworth Investor Relations, 6620 West Broad Street, Richmond, VA 23230, USA.

The immediate parent company is Genworth Financial UK Holdings Limited (100% ownership). These financial statements present information about the Company as an individual undertaking and not about its group. The Company is exempt from the requirement to prepare group accounts under section 401 of the Companies Act.