Life Company Consolidation Group Limited

Annual Report and
Consolidated Financial Statements

For the year ended 31 December 2017

Life Company Consolidation Group Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2017

Contents

Life Company Consolidation Group Limited

Company Information

For the year ended 31 December 2017

Directors
Paul Thompson
Ian Maidens
Christopher Boehringer
Henry Smith

Secretary
C. L. Secretaries Limited
1st and 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Principal Bankers
The Royal Bank of Scotland International Limited
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

Registered Office
1st and 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Independent Auditor
Deloitte Ireland LLP
Chartered Accountants & Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Registered in Guernsey
Company Number
56627

Life Company Consolidation Group Limited

Directors' report

For the year ended 31 December 2017

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2017.

Life Company Consolidation Group Limited (the "Company") is a private company incorporated in Guernsey. As at 31 December 2017 the group comprises the Company and its direct subsidiary LCCG Holdings (No 1) Limited, together with underlying subsidiary entities LCCG Holdings (No 2) Limited, LCCG Holdings (No 3) Limited, LCCG UK Limited and Utmost Ireland Holdings Limited ("UHIL") and its subsidiaries (together the "Group").

As discussed below in the Business review and events after the year-end section, the Group has been restructured following the year-end. The overall impact of this restructuring, as detailed below, is that from 13 June 2018 the composition of the Group is different to that shown above as at 31 December 2017.

Principal Activity
The principal activity of the Company is investment holding.

Going concern
The Directors of the Company have determined that it and the Group will continue in operational existence for the immediate future and therefore the financial statements have been prepared on a going concern basis. In making this assessment the Directors considered the nature and quantum of its assets and liabilities. In making the going concern assessment, the Directors considered the principal risks faced by the Company and the Group, its existing financial and operational resources and its overall solvency position.

Results and dividend
The result for the year is shown in the statement of comprehensive income on page 5. The Directors do not recommend the payment of a dividend (2016: Nil).

Business review and events after the year end
On 9 March 2017, following approval from the Central Bank of Ireland, Harcourt Life Corporation dac (‘HLC’) (formerly Harcourt Life Assurance dac) acquired the entire share capital of Union Heritage dac (‘UHL’) (formerly Union Heritage Life Assurance Company dac) from Torchmark Corporation group.

On 30 June 2017, following receipt of the approval of the High Court of Ireland for a transfer of Insurance Business pursuant to the requirements of the Assurance Companies Act 1909, The Insurance Act 1989 (Each as Amended) and the European Union (Insurance and Reinsurance) Regulations 2015, Harcourt Life International dac acquired a portfolio of offshore bond business from Axa Life Europe dac. Harcourt Life International dac was re-named Utmost Ireland dac (‘UI’) with effect from 30 June 2017 and subsequently re-opened to writing new business thereafter selling Delegation Bond & Selection Bond policies to United Kingdom nationals under the Utmost Wealth Solutions brand.

On 30 June 2017 UI became a direct subsidiary of Utmost Holdings Ireland Limited ("UHI") (formerly LCCG ireland Limited) when HLC made an in-specie dividend of its holding of the entire issued share capital of UI, being 500,002 €1.27 ordinary shares, to UHI.

Pursuant to an Insurance Portfolio Transfer which was approved by an order of the High Court of Ireland, the entire life assurance business of Harcourt Life Corporation dac, together with the life assurance businesses of fellow group undertakings, Augura Ireland dac (‘Augura’) and Union Heritage dac were transferred to another group undertaking Harcourt Life Ireland dac (‘HLI’) with effect 31 March 2018. As these companies have no residual life assurance business remaining following the completion of the Portfolio Transfer, they have applied to the Central Bank of Ireland to surrender their authorisation as life insurance undertakings. The Central Bank of Ireland are in the process of assessing the request to de-authorise. As of the date of the approval of the Financial Statements, they remain as authorised life insurance undertakings, pending the Central Bank’s approval for their de-authorisation.

Business review and events after the period end (continued)

Acquisitions post year-end
On 18 December 2017, the Group announced its intention to acquire Generali PanEurope dac ("GPE"). The Group completed its acquisition of GPE on 19 June 2018, following regulatory approval from the Central Bank of Ireland. GPE is a life insurance company located in Ireland providing sophisticated wealth management, savings, investment and employee benefit solutions to individual and corporate clients across Europe. Total policyholder assets are currently around €11 billion.

The wholly owned subsidiary, Utmost Ireland dac, announced on 9 April 2018 its intention to acquire Aegon Ireland plc's international investment bond business. The acquisition of this portfolio of international bond business will be effected through a Section 13 Scheme of Transfer subject to the sanction of the High Court of Ireland, following which all policies would transfer to UI. A number of employees will also transfer to the Group on completion of the scheme. The acquisition of this portfolio is expected to be completed by the end of 2018.

On 15 June 2018, the Group announced that it has signed an agreement with The Equitable Life Assurance Society ('Equitable Life') under which it is proposed that Equitable Life and all of its business transfer to Reliance Life Limited. The proposed transaction remains subject to member, regulatory and Court approvals, and is expected to complete towards the end of 2019.

Group restructuring post year-end
As part of a wider restructuring of the Group structure, three new entities have been incorporated post year-end as follows. On 18 January 2018, LCCG Holdings (No 7) Limited, a wholly owned direct subsidiary of the Company, and LCCG Holdings (No 8) Limited, wholly owned by LCCG Holdings (No 7) Limited; and on 22 January 2018 LCCG UK (RL) Limited, wholly owned by LCCG Holdings (No 8) Limited, incorporated as a UK entity.

On 22 March 2018, the entire share capital of RL Holdings Limited was sold by LCCG UK Holdings Limited to LCCG UK (RL) Limited for £4,010,000. RL Holdings Limited (renamed to Reliance Life Holdings Limited on 23 March 2018) is the holding company for Reliance Life Limited, an insurance entity into which the transfer of Reliance Mutual business completed on 1 April 2018.

On 13 June 2018, the entire share capital of LCCG Holdings (No 2) Limited was sold by LCCG Holdings (No 1) Limited to LCCG Holdings (No 4) Limited for €80.96m. LCCG Holdings (No 4) Limited is an indirect subsidiary of Life Company Consolidation Group (No 2) Limited, a company analogous to Life Company Consolidation Group Limited specialising in the acquisition and consolidation of life assurance businesses.

The overall impact of these restructuring steps is that, with effect from 13 June 2018 the Group no longer includes the Irish business, but does now include the business transferred from Reliance Mutual on 1 April 2018.

Directors and Company Secretary
The Directors and secretary who held office during the year and to date are noted on page 1.

The Company Secretary had no beneficial interests in the shares of any group company. Two directors Paul Thompson and Ian Maidens have an equity interest in certain group entities. Details of these interests are disclosed in note 35 to the financial statements.

Life Company Consolidation Group Limited

Directors' report (continued)

For the year ended 31 December 2017

Directors' responsibilities statement
The Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Company and the Group, in accordance with applicable laws. In preparing the 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 applicable accounting standards have been followed, subject to any material departures disclosed 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 for the foreseeable future.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. The Directors are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor
Deloitte, Chartered Accountants and Statutory Audit Firm, was appointed as auditor to the Company. Deloitte has indicated its willingness to continue in office and a resolution to re-appoint it will be proposed, in accordance with section 257 of The Companies (Guernsey) Law, 2008 at the forthcoming annual general meeting.

For and on behalf of the Board of Directors:

Director	Director
3/7/18	3/7/18
Date	Date

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIFE COMPANY CONSOLIDATION GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Life Company Consolidation Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies (Guernsey) Law 2008; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

We have audited the financial statements which comprise:

- the consolidated and parent company statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statement of changes in equity;
- the consolidated and parent company statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies (Guernsey) Law 2008.

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Continued on next page/

/Continued from previous page

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIFE COMPANY CONSOLIDATION GROUP LIMITED

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Continued on next page/

Deloitte.

/Continued from previous page

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIFE COMPANY CONSOLIDATION GROUP LIMITED

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception
Under the Companies (Guernsey) Law, 2008 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. 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.

Eimear Mc Carthy

Eimear McCarthy ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Dublin, Ireland

Date: 03 July 2018

Life Company Consolidation Group Limited

Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	Consolidated 2017 €'000	Consolidated Restated 2016 €'000	Company 2017 €'000	Company Restated 2016 €'000
Net premiums earned		**679**	270	**-**	-
Dividends received		**352**	-	**-**	-
Fees and commission	3	**38,036**	7,826	**-**	-
Net investment income	4	**151,965**	52,432	**-**	-
Other operating income	5	**2,272**	12,257	**-**	-
Total revenue, net of reinsurance payable		**193,304**	72,785	**-**	-
Policyholder claims	19	**(175,545)**	(27,446)	**-**	-
Change in investment contract liabilities		**23,807**	(28,395)	**-**	-
Change in insurance contract liabilities		**(3,824)**	10,165	**-**	-
Transfer to unallocated surplus	20	**(4,195)**	(4,765)	**-**	-
Net policyholder claims		**(159,757)**	(50,441)	**-**	-
Fees and commission expenses		**(27,286)**	(4,551)	**-**	-
Administrative expenses	6	**(19,177)**	(13,428)	**-**	(5)
Onerous contract and other provisions		**7,815**	1,587	**-**	-
Operating expenses		**-**	(5,731)	**(13,168)**	(9,159)
Total operating expenses		**(38,648)**	(22,123)	**(13,168)**	(9,164)
(Loss) / profit for the financial year before interest and tax		**(5,101)**	221	**(13,168)**	(9,164)
Interest payable		**-**	(4)	**-**	-
Tax charge	7	**74**	127	**-**	-
(Loss) / profit for the financial year after tax		**(5,027)**	344	**(13,168)**	(9,164)
Attributable to:					
Equity holders of the parent	8	**(12,021)**	371	**(13,168)**	(9,164)
Non-controlling interest	9	**6,994**	(27)	**-**	-
(Loss) / profit for the financial year after tax		**(5,027)**	344	**(13,168)**	(9,164)
Other comprehensive income					
Movements in available for sale reserves	27	**(127)**	(339)	**-**	-
Foreign exchange rate movements	27	**2,565**	(1,576)	**(24)**	-
Total comprehensive deficit for the financial year		**(2,589)**	(1,571)	**(13,192)**	(9,164)
Attributable to:					
Equity holders of the parent		**(9,583)**	(6,871)	**(13,192)**	(9,164)
Non-controlling interest		**6,994**	5,300	**-**	-
Total comprehensive deficit for the financial year		**(2,589)**	(1,571)	**(13,192)**	(9,164)

Income and expenses for the year derive wholly from continuing operations.

The notes on pages 11 to 53 form an integral part of these financial statements.

Life Company Consolidation Group Limited

Statement of Financial Position

As at 31 December 2017

	Notes	Consolidated 2017 €'000	Consolidated Restated 2016 €'000	Company 2017 €'000	Company Restated 2016 €'000
ASSETS					
Fixed assets	10	**176**	247	**-**	-
Investment in subsidiary undertaking	11	**-**	-	**-**	13,191
Intangible assets	12	**2,216**	2,216	**-**	-
Financial assets	14	**2,372,086**	1,584,074	**-**	-
Available for sale financial assets	15	**-**	25,935	**-**	-
Investment property	16	**24,071**	67,548	**-**	-
Cash and cash equivalents		**96,107**	114,592	**39**	29
Prepayments and accrued income		**2,652**	3,188	**-**	-
Other assets	17	**1,005**	2,512	**-**	-
Deferred tax asset		**2,126**	2,052	**-**	-
Deferred acquisition costs		**8,298**	30,711	**-**	-
Insurance assets:					
Reinsurers' share of insurance contract liabilities	19	**477,249**	549,442	**-**	-
Insurance contract receivables	18	**12**	16	**-**	-
Total assets		**2,985,998**	2,382,533	**39**	13,220
LIABILITIES					
Liabilities to customers under insurance contracts:					
Liabilities under insurance contracts	19	**669,477**	740,567	**-**	-
Unallocated surplus	20	**31,430**	28,310	**-**	-
Liabilities to customers under investment contracts	21	**2,132,554**	1,374,022	**-**	-
Reinsurance payables	22	**-**	12	**-**	-
Payables related to direct insurance contracts	22	**14,939**	19,605	**-**	-
Financial liabilities	23	**-**	58	**-**	-
Borrowings from banks	24	**11,553**	44,460	**-**	-
Accruals and deferred income		**4,805**	2,811	**-**	-
Other liabilities	25	**21,176**	68,417	**-**	-
Total liabilities		**2,885,934**	2,278,262	**-**	-
EQUITY					
Called up share capital presented as equity	26	**148**	137	**148**	137
Other reserves	27	**318**	(2,120)	**(24)**	-
Retained (deficit) / earnings		**(847)**	15,203	**(85)**	13,083
Shareholders' funds		**(381)**	13,220	**39**	13,220
Non-controlling interest	28	**100,445**	91,051	**-**	-
Total equity		**100,064**	104,271	**39**	13,220
Total equity and liabilities		**2,985,998**	2,382,533	**39**	13,220

The financial statements were approved and authorised for issue by the Board of Directors on 2018 and signed on its behalf by:

3/7/18 Director

Director 3/7/18

The notes on pages 11 to 53 form an integral part of these financial statements.

Life Company Consolidation Group Limited

Statement of Changes in Equity

For the year ended 31 December 2017

CONSOLIDATED	Notes	Called up share capital presented as equity €'000	Other reserves €'000	Retained earnings / (deficit) €'000	Non-controlling interests €'000	Total €'000
Balance as at 1 January 2016 - restated		137	(280)	20,133	51,177	71,167
Total comprehensive income for the year		-	-	(4,930)	5,274	344
Share premium received in the financial year		-	-	-	34,600	34,600
Other movements	27	-	(1,840)	-	-	(1,840)
Balance as at 31 December 2016 - restated		**137**	**(2,120)**	**15,203**	**91,051**	**104,271**
Total comprehensive income for the year		-	-	(12,021)	6,994	(5,027)
Shares issued during the year		11	-	-	-	11
Share premium received in the financial year		-	-	-	2,400	2,400
Release of Non-controlling interest		-	-	(259)	-	(259)
Other movements	27	-	2,438	(3,770)	-	(1,332)
Balance as at 31 December 2017		**148**	**318**	**(847)**	**100,445**	**100,064**

COMPANY	Called up share capital presented as equity €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance as at 1 January 2016 - restated	137	-	22,247	22,384
Total comprehensive income for the year		-	(9,164)	(9,164)
Balance as at 31 December 2016 - restated	**137**	**-**	**13,083**	**13,220**
Shares issued during the year	11	-	-	11
Total comprehensive deficit for the year	-	(24)	(13,168)	(13,192)
Balance as at 31 December 2017	**148**	**(24)**	**(85)**	**39**

The notes on pages 11 to 53 form an integral part of these financial statements.

Life Company Consolidation Group Limited

Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Consolidated 2017 €'000	Consolidated 2016 €'000	Company 2017 €'000	Company 2016 €'000
Net cash flows used in operating activities	29	**(42,583)**	(33,873)	**(1)**	(5)
Cash flows from investing activities					
Investment in subsidiaries (net of cash acquired)		**(3,000)**	-	**-**	-
Acquisition of fixed assets		**(116)**	(159)	**-**	-
Disposals of investment property		**-**	-	**-**	-
Acquisition of financial assets		**-**	-	**-**	-
Net disposals of available for sale assets		**25,561**	11,847	**-**	-
Coupon received on available for sale assets		**301**	667	**-**	-
Long term loans received		**-**	-	**-**	-
Net cash from investing activities		**22,746**	12,355	**-**	-
Cash flows from financing activities					
Issue of share capital		**13**	-	**11**	-
Share premium received		**2,400**	34,600	**-**	-
Long term loans settled		**(1,061)**	(814)	**-**	-
Net cash flows from financing activities		**1,352**	33,786	**11**	-
Net (decrease) / increase in cash and cash equivalents		**(18,485)**	12,268	**10**	(5)
Cash and cash equivalents at the beginning of the financial year		**114,592**	102,324	**29**	34
Cash and cash equivalents at the end of the financial year		**96,107**	114,592	**39**	29

The notes on pages 11 to 53 form an integral part of these financial statements.

1 Significant Accounting Policies

The principal accounting policies that the Group applied in preparing its financial statements for the financial year ended 31 December 2017 are set out below.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee to the extent they have been endorsed by the European Union and with applicable requirements of the Companies (Guernsey) Law, 2008. The Directors have prepared consolidated and separate financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards as set out in the relevant accounting policies. They are presented in Euro, rounded to the nearest thousand.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and the subsidiary undertakings detailed in note 2. A subsidiary is an entity where the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Company controls the entity.

Subsidiaries in which the Company has a beneficial interest are consolidated from the date on which control is transferred to the Company until the date that control ceases. The purchase method of accounting is used by the Company to account for the acquisition of subsidiary undertakings. Intercompany balances and any unrealised gains and losses, or income and expenses, arising on transactions between the Company and its subsidiaries are eliminated on consolidation.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Company and are presented in the Statement of Comprehensive Income and consolidated Statement of Financial Position separately to amounts attributable to owners of the parent.

Going concern
The Company and the Group have continued to trade as a going concern and will work closely with the regulatory authorities to ensure that, to the fullest extent possible, the interests of policyholders remain protected throughout the remaining run-off periods.

In making the going concern assessment for the foreseeable future the Directors considered the principal risks the Group face in particular the existing financial resources and the overall solvency position of the regulated entities including the impact of Solvency II. The Directors' report summarises the Group's activities, financial performance and principal risks facing the Group.

On the basis of the above, the Directors have determined that it is reasonable to conclude that the Group will continue in operational existence for the foreseeable future and therefore that it is appropriate to prepare the financial statements on a going concern basis.

1 Significant Accounting Policies (continued)

1.2 Foreign currency translation

1.2.1 Functional and presentation currency

The consolidated financial statements are presented in Euro. The functional currency of the Company, LCCG Holdings (No 1) Limited, LCCG Holdings (No 2) Limited, LCCG Holdings (No 3) Limited and Harcourt Life Ireland dac ("HLI") is Pound Sterling and for all of the other group companies, as detailed in note 2 and with the exception of Altraplan Bermuda Limited ("Altraplan") which is US Dollars, is Euro.

1.2.2 Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on monetary financial assets measured at fair value and designated as held at fair value through the profit or loss are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items, which are designated as fair value, are reported as part of the fair value gain or loss.

On conversion to the presentation currency, assets and liabilities are translated at the closing rate at the year-end date, income and expenditure are converted at the transaction rate, or the average rate if this is an approximation of the transaction rate. All resulting exchange differences are recognised in Other Comprehensive Income.

1.3 Investment in subsidiary undertakings

Subsidiaries are entities controlled directly or indirectly by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary undertakings are accounted for at fair value based on an exit price notion at the individual subsidiary level. When determining fair value, management uses the assumptions that market participants would use a robust and realistic valuation basis when pricing the asset or liability of an entity. As the basis of valuation is a critical judgement area it can have a significant impact on the Statement of Comprehensive Income as detailed in note 1.23.

1.4 Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available for sale financial assets and loans and receivables. Management determines the classification of financial assets at initial recognition.

1.4.1 Financial assets held at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

A financial asset may be designated at fair value through profit or loss in the following circumstances:

a) it eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the asset or recognising gains and losses arising on it on a different basis; or

b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

c) a financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear that it would not be separately recorded.

1 Significant Accounting Policies (continued)

1.4 Financial assets (continued)

1.4.1 Financial assets held at fair value through profit or loss (continued)

Derivatives are classified as held for trading unless they are designated as hedges. Interest on financial assets at fair value through profit or loss is included in net interest income. Other gains and losses arising from changes in fair value are included directly in the Statement of Comprehensive Income within other operating income.

1.4.2 Available for sale financial assets

Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, asset prices or other factors.

Purchases and sales of financial assets at fair value through profit or loss or available for sale financial assets are recognised on a trade date basis, being the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss whose transaction costs are taken directly to the Statement of Comprehensive Income.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss held on own account are included within other operating income in the Statement of Comprehensive Income in the period in which they arise.

Interest on assets within this category is reported in interest income. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised as a separate component of shareholders' equity until the financial assets are de-recognised or impaired at which time the cumulative gain or loss previously recognised in equity is transferred to the Statement of Comprehensive Income. Interest is calculated using the effective interest rate method and is recognised in the Statement of Comprehensive Income.

1.4.3 Loans and deposits

Loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They arise when the Group places money with another entity and are initially recognised at fair value including direct and incremental transaction costs and subsequently carried on an amortised cost basis.

The fair values of financial assets quoted in active markets are based on current bid prices. For unquoted financial assets or where the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other similar instruments and discounted cash flow analysis.

1.4.4 Other

Equities, fixed and variable rate income securities, and collective investment schemes are designated at fair value through profit or loss and accordingly are stated in the Statement of Financial Position at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Group’s stated risk management policies.

1 Significant Accounting Policies (continued)

1.4.5 Impairment of financial assets

It is Group policy to make provisions for impairment of financial assets to reflect the losses inherent in those assets at the end of the reporting year.

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or a portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and that loss event (or events) has had an impact such that the estimated present value of future cash flows is less than the current carrying value of the financial asset, or portfolio of financial assets, and can be reliably measured.

Objective evidence that a financial asset, or a portfolio of financial assets, is potentially impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the granting to the borrower of a concession, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified within the individual financial assets in the portfolio, including:
   - adverse changes in the payment status of borrowers in the portfolio; or
   - national or local economic conditions that correlate with defaults on the assets in the portfolio.

1.4.6 De-recognition of financial assets

A financial asset is de-recognised where:

a) the rights to receive cash flows from the assets have expired;
b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
c) the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.5 Financial liabilities

Financial liabilities, including borrowings, are initially recognised at fair value, being their issue proceeds net of transaction costs incurred. All liabilities, other than those designated at fair value through profit or loss, are subsequently carried at amortised cost. For financial liabilities measured at amortised cost any difference between initial fair value and redemption value is recognised in the Statement of Comprehensive Income using the effective interest rate method.

A liability upon initial recognition may be designated at fair value through profit or loss when:

a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

1 Significant Accounting Policies (continued)

1.6 Reinsurance

The Group cedes reinsurance in the normal course of business, with limits varying by line of business. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

There are reinsurance arrangements in place for HLI, UI and Augura Ireland dac ("Augura"). All reinsurance is in line with the underlying entity reinsurance policy and the accounting for each of these is ceded between premiums, claims and liabilities for insurance contracts in line with the notes from the individual statutory accounts. There is no accounting treatment difference across the entities and reinsurance recoverability is in line with actual experience.

Reinsurance assets represent balances due from reinsurance companies. Reinsurers' share of insurance contract liabilities are dependent on expected claims and benefits arising under the related reinsured policies.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Comprehensive Income.

Gains or losses on purchasing reinsurance are recognised in the Statement of Comprehensive Income at the date of purchase and are not amortised. They are the difference between the premiums ceded to reinsurers and the related change in the reinsurers' share of insurance contract liabilities.

1.7 Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

1.8 Product classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Some insurance and investment contracts contain a discretionary participation feature ("DPF"). This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Investment contracts with a DPF are recognised, measured and presented as insurance contracts.

1.9 Investment contracts

Contracts issued by the Group are unit-linked and do not contain any significant insurance risk. These contracts are all classified as investment contracts. The entities who have investment contracts include HLC, UI, Augura, Altraplan and Union Heritage dac ("UHL").

Financial assets, investment property and derivative financial instruments held in respect of linked liabilities to customers and related liabilities to customers under investment contracts are stated at fair value and are separately disclosed in the Statement of Financial Position.

1 Significant Accounting Policies (continued)

1.9 Investment contracts (continued)

Premiums received and claims paid are accounted for directly in the Statement of Financial Position as adjustments to the investment contract liability. Investment income and changes in fair value arising from the investment contract assets and the corresponding movement in investment contract liabilities are included on a net basis in other operating income.

Revenue on investment management services provided to holders of investment contracts is recognised as the services are performed.

1.9.1 Liabilities under investment contracts

The approach for valuing liabilities by the Group is a basic approach of best estimate aligned to a modified Irish GAAP basis.

1.10 Insurance contracts and investment contracts with DPF

The Group's with-profits business, which is held in HLI, is classified as Insurance business. In considering the level of insurance risk, HLI has recognised the significance of the insurance guarantees attaching to the with-profits business and in particular that no market value adjustment (MVA) is applied in the case of the death of policyholders. This compares to policy surrenders where an MVA is applied to the value of policy at exit. The IFRS cash reserve for Insurance business is calculated as the present value of all projected future outgoings and income. The calculation is carries out using best estimate assumptions and a floor of zero is applied to policies which are estimated to have negative non-unit reserves, with reference to non-unit reserves.

The majority of the life assurance contracts issued by the Group are long-term life assurance contracts. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. The entities who have insurance contracts include HLI, UI, Augura and UHL.

The significant accounting policies applied in relation to insurance contracts and investment contracts with DPF are:

1.10.1 Liabilities under insurance contracts

Insurance liabilities are determined by the Directors on the advice of the Group's Reporting Actuary and similarly to the valuation of liabilities under investment contracts they are aligned to a modified Irish GAAP basis. The liability was computed separately for each life assurance contract, using surrender, expense and mortality assumptions that reflect the Group's expected experience with appropriate allowance for margins of prudence.

Insurance liabilities are calculated in accordance with the actuarial principles laid down in Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009.

Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process are the subject of estimations. As a consequence, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide appropriate levels of contract liabilities taking known facts and experiences into account but, nevertheless, such liabilities remain uncertain.

Liabilities – insurance and investment contracts with DPF are calculated as follows:

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premium is recognised. The liabilities of the Group's unitised with-profit business are calculated as the lower of the current unit value and surrender value of each policy.

Assumptions are made in respect of all material factors affecting future cash flows, including future interest rates, mortality and costs. The unitised with-profit liabilities and unit linked liabilities of HLI are partially reassured to Phoenix Life Limited ("PLL").

1 Significant Accounting Policies (continued)

1.10 Insurance contracts and investment contracts with DPF (continued)

1.10.2 Embedded derivatives

Embedded derivatives, including options to surrender insurance contracts, that meet the definition of insurance contracts or are closely related to the host insurance contract, are not separately measured. All other embedded derivatives are separated from the host contract and measured at fair value through profit or loss.

1.10.3 Liability adequacy

At each reporting date, liability adequacy tests are performed to assess whether the insurance contract and investment contract with DPF liabilities are adequate. Current best estimates of future cash flows are compared to the carrying value of the liabilities. Any deficiency is charged as an expense to the Statement of Comprehensive Income.

The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4 Insurance Contracts, as they allow for current estimates of all contractual cash flows and of related cash flows such as claims handling costs. Cash flows resulting from embedded options and guarantees are also allowed for, with any deficiency being recognised as income or an expense in the Statement of Comprehensive Income.

1.10.4 Unallocated surplus

The unallocated surplus comprises the excess of the assets over the policyholder liabilities of the unitised with-profit business. For the Group's unitised with-profit business, the amount included in the Statement of Financial Position line item 'unallocated surplus' represents amounts which have yet to be allocated to policyholders. The unitised with-profit business is closed to new business and as permitted by IFRS 4, the whole of the unallocated surplus has been classified as a liability.

1.11 Investment property

Investment property comprises freehold and leasehold properties held to earn rentals or for capital appreciation or both.

1.11.1 Investment property - held on own account

Investment property held on own account is included in the Statement of Financial Position at cost less accumulated depreciation and provisions for impairment losses, if any. Freehold investment properties are depreciated on a straight-line basis over fifty years. Leasehold investment properties are depreciated on a straight-line basis over the remaining term of the lease up to a maximum of fifty years.

1.11.2 Investment property - held in respect of liabilities to customers under investment contracts

Investment property held in respect of liabilities to customers under investment contracts is included in the Statement of Financial Position at fair value. Fair values are based on valuations provided by independent third party valuers using, where relevant, accepted Royal Institution of Chartered Surveyors guidelines or equivalent local guidelines appropriate to the location of the property. Fair values are reviewed and agreed by management.

1.12 Assets classified as held for sale

An asset is classified as held for sale if it is primarily acquired for the purpose of selling it in the near term and where a sale is highly probable and is expected to occur within one year. Assets classified as held for sale are initially measured at fair value less costs to sell. Gains and losses arising from changes in fair value are recognised in the Statement of Comprehensive Income.

1.13 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes all costs that are directly attributable to bringing the asset into working condition for its intended use. All fixed assets are held in the name of Utmost Services Ireland Limited ("USIL") and LCCG UK Limited ("LCCG UK").

1 Significant Accounting Policies (continued)

1.13 Tangible fixed assets and depreciation (continued)

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value, of each asset systematically over its expected useful life, as follows:

Fixtures and Fittings - 33% Straight Line
Hardware and Software - 33% Straight Line

1.14 Goodwill and intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each balance sheet date. Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the Statement of Comprehensive Income.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal

1.15 Tax (current and deferred)

Current tax payable is the expected tax payable on the taxable income for the period adjusted for changes to previous periods and is calculated based on the applicable tax law in the relevant tax jurisdiction. Deferred tax is provided using the Statement of Financial Position method on temporary differences arising between the tax bases of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. Current and deferred taxes are determined using tax rates based on legislation enacted or substantively enacted at the year end date and expected to apply when the related tax asset is realised or the related tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which temporary differences will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred taxes are recognised in the Statement of Comprehensive Income in the period in which the profits arise except to the extent that they relate to items recognised directly in equity, in which case the taxes are also recognised in equity.

Deferred and current tax assets and liabilities are only offset when they arise in the same reporting group for tax purposes and where there is both the legal right and intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.16 Provisions and contingent liabilities

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

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of economic resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

1 Significant Accounting Policies (continued)

1.16 Provisions and contingent liabilities (continued)

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

1.17 Deferred acquisition costs

Deferrable acquisition costs for non-participating investment contracts are amortised over the period in which the service is provided. Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

1.18 Deferred Income Reserves (DIR)

When a policy was sold, establishment charges were collected from the policyholder either at the outset or over the first few years. These charges collected in respect of costs expected to be incurred over the lifetime of the policy. The establishment of a DIR liability allows the income from these charges to be spread over a given period rather than recognising the total income at the outset and then incurring the related costs later in the policy. This is done by establishing a liability that is equal to the amount of establishment charges collected. Each year, this liability is reduced by a proportion of the original value. Income is recognised in the year equal to the amount of the reduction which is known as the amortised DIR value. Typically, the DIR is used to offset the DAC rather than being shown explicitly in the accounts. DIR will be completely realised across all policies over the policies lifetime.

1.19 Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises of cash on hand, demand deposits and deposits with a maturity of less than three months.

1.20 Income recognition

1.20.1 Gross premiums

In respect of insurance contracts and investment contracts with DPF, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Funds at retirement under individual pension contracts converted to annuities with the Group are, for accounting purposes, included in both claims incurred and premiums within gross premiums written.

1.20.2 Reinsurance premiums

Outward reinsurance premiums are accounted for on a payable basis.

1.20.3 Fee and commission income

Fees arising on investment management services provided to holders of investment contracts are recognised as the services are performed. Structuring fees are recognised at the point of investment. Annual management fees are recognised on an accruals basis.

1.20.4 Net investment income

Net investment income comprises interest, dividends and fair value gains and losses on financial assets.

Interest income is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments and receipts throughout the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

1 Significant Accounting Policies (continued)

1.20.4 Net investment income (continued)

The calculation includes all fees, transaction costs and other premiums and discounts that are an integral part of the effective interest rate on the transaction.

Once an impairment loss has occurred on an individual asset, interest income is recognised on that asset using the rate of interest at which its estimated future cash flows were discounted in measuring impairment.

Fair value gains and losses on financial assets designated at fair value through profit or loss are recognised in the Statement of Comprehensive Income. Realised gains and losses are the difference between the net sale proceeds and the original cost. Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

1.21 Benefits, claims and expenses recognition

1.21.1 Gross benefits and claims

Claims on insurance contracts and investment contracts with discretionary participation feature reflect the cost of all claims arising during the period, including policyholder bonuses allocated in anticipation of a bonus declaration. Claims payable on maturity are recognised when the claim becomes due for payment and claims payable on death are recognised on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within insurance contract liabilities. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

1.21.2 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

1.21.3 Finance costs

Interest payable is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest method. Borrowing costs are not capitalised.

1.22 Employee benefits

All permanent employees of the Utmost Holding Ireland Limited Group are eligible to join the Group’s Defined Contribution Scheme. The contributions made by the Group to the scheme are recognised as an employee benefit expense and are included in Administrative expenses. The pension scheme is named Harcourt Life Services Retirement Solution Plan. The Directors of LCCG UK receive a cash alternative to a pension, which is also included in administrative expenses.

1.23 Critical accounting estimates and judgements

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Guernsey company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent.

The judgements and estimates involved in the Group's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Group could affect its reported results.

1 Significant Accounting Policies (continued)

1.23 Critical accounting estimates and judgements (continued)

1.23.1 Investment in Subsidiary undertakings

The Group approach for the valuation of the investments in subsidiary undertakings is an exit price notion for the individual entities acquired. This is at a company level rather than at the consolidation level to reflect the realistic market basis adopted by the company which is aligned to a modified Irish GAAP basis. The valuation of subsidiaries is a key area of judgement and the fair value movement is outlined in Note 11 to the accounts. This is the key driver for the profit for the financial period after tax in the company only accounts for 2017. The valuation basis is best estimate and may lead to uncertainty in the consistency of results due to the nature of valuing level 3 inputs as per note 31 to the financial statements.

1.23.2 Insurance and investment contract liabilities

Insurance and investment contract liability accounting is discussed in more detail in accounting policies 1.9 and 1.10.

1.23.3 Fair value of financial assets and liabilities

Where possible financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair values are determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates.

1.23.4 Accrued fee income

Fees arising on investment management services provided to holders of investment contracts are recognised on an accruals basis. Where there is insufficient cash flow arising from property assets to pay the management fees due, accrued fee income is recognised only to the extent that it is expected to be recoverable.

The Group does not recognise uncollected fee income on assets where the current value of the property is less than the amount of the related debt. In many cases, the recovery of accrued fee income is likely to be dependent on the ultimate sale of the related property assets. Future falls in value of investment properties could negatively impact the ability of the Group to recover its accrued fee income.

1.23.5 Taxation

Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which the losses can be relieved. Any judgements made, and uncertainties considered, in arriving at the carrying values of deferred tax assets and liabilities in the financial statements are discussed in accounting policy 1.15.

The taxation charge recognises amounts due to tax authorities in the various jurisdictions in which the Group has invested into. It also includes provisions for potential and uncertain tax liabilities, which is based on judgement regarding the application of tax law and practice. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice. However the final tax outcome may only be determined after the completion of tax audits or the expiration of statutes of limitations. In addition, changes in tax laws, judicial interpretation of tax laws, or policies and practices of tax authorities could cause the amount of taxes ultimately paid to differ from the amount provided.

1 Significant Accounting Policies (continued)

1.23 Critical accounting estimates and judgements (continued)

1.23.6 Onerous contract provision

The Group has made a provision in respect of future costs associated with continuing to provide administrative and other services to policyholders under their pensions and life assurance contracts, the cost of which is expected to exceed the related economic benefits to the Group. The estimation of future income and costs is inherently uncertain and dependent upon many factors. Changes in estimated future income and costs or time taken to run-off the business could therefore have a material effect on the amount of the provision required. The Onerous contract provision was released at the end of 2017 and replaced by a long term business plan provision.

1.23.7 Litigation

In the normal course of the Group's business, litigation and disputes arise from time to time. The Group has a policy of active management of legal claims and there are procedures in place to ensure oversight by the Board of Directors, including evaluating potential provisions for losses arising from such actions. No provision for losses has been recognised in these financial statements in respect of such claims. However the final outcome of these actions is inherently uncertain and this may only be determined after the completion of the relevant judicial process. Adverse findings against the Group in respect of such proceedings could have a significant impact on its future financial condition and results.

1.23.8 Assets and liabilities of acquired subsidiaries at acquisition date

The acquisition of Harcourt Life Corporation Limited ("HLC") and HLI were completed during 2015. The acquisition of UI was completed on 26 July 2016 and the acquisition of Augura and Altraplan on 30 November 2016. On 9 March 2017 UHL was acquired from Torchmark Corporation Group.

The assets acquired and liabilities assumed at acquisition date were recognised in the Group consolidated financial statements. The fair value of assets acquired and liabilities assumed during 2017 was measured as at 28 February 2017.

1.23.9 Assets and liabilities of acquired subsidiaries at valuation date

When determining fair value, management uses the assumptions that market participants would use a robust and realistic valuation basis when pricing the asset or liability of an entity. The purchase method of accounting was used by the Group to account for the acquisition of subsidiary undertakings. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. The Group’s policy is if those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference will be recognised directly in the Statement of Comprehensive Income as a bargain purchase and this was accounted for accordingly in HLC’s financial statements.

1.23.10 Results of subsidiaries post acquisition

Transactions for UHL that took place between acquisition date and 31 December 2017 were included in the consolidated financial statements.

1.24 Adoption of new accounting standards

No amendments and interpretations to IFRS have been published that first apply from 1 January 2017 and are applicable to the Group.

1 Significant Accounting Policies (continued)

1.25 Prospective accounting changes

The impact of the following new standards, amendments to standards and interpretations that have been approved by the International Accounting Standards Board and which would be applicable to the Group with an effective date after these financial statements is being considered by the Group.

- IFRS 9 Financial Instruments (2018). This standard will replace IAS 39 Financial Instruments: Recognition and Measurement. There is a temporary exemption which enables entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest and the Group has adopted this approach. The Directors are considering the impact of IFRS 9 on the Company and Group but do not believe that it will have a significant impact on the results.
- IFRS 15 Revenue from Contracts with Customers (effective 1 Jan 2018 subject to EU endorsement).
- IFRS 16 Leases (2019). IFRS 16 will replace IAS 17 Leases. The new standard removes the classification of leases as either operating or finance leases for the lessee, thereby treating all leases as finance leases.
- IFRS 17 Insurance Contracts (effective 1 Jan 2021 subject to EU endorsement).

The Directors are of the opinion that IFRS 16 will have no material impact on the Company.

2 Subsidiaries

The consolidated financial statements include the following subsidiaries as at 31 December 2017:

Subsidiary	Date of acquisition	Registered address / business address	Nature of business	Shares held
LCCG Holdings (No 1) Limited	11 Sep 2013 (incorporation date)	1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port, Guernsey	Investment holding	100% of issued share capital
LCCG Holdings (No 2) Limited	11 Sep 2013 (incorporation date)	1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port, Guernsey	Investment holding	100% of issued share capital
LCCG Holdings (No 3) Limited	05 Dec 2014 (incorporation date)	1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port, Guernsey	Investment holding	100% of issued share capital
LCCG UK Limited	01 Oct 2014 (incorporation date)	Devonshire House 1 Devonshire Street London	Investment holding	100% of issued share capital
Utmost Holdings Ireland Limited (previously LCCG Ireland Limited)	29 Dec 2014	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Investment holding	100% of issued share capital
Harcourt Life Corporation dac (previously Harcourt Life Assurance dac)	11 Mar 2015	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Life insurance	100% of issued share capital

2 Subsidiaries (continued)

Subsidiary	Date of acquisition	Registered address / business address	Nature of business	Shares held
Harcourt Life Ireland dac (previously Scottish Mutual International dac)	02 Dec 2015	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Life insurance	100% of issued share capital
Utmost Services Ireland Limited (previously Harcourt Life Services Limited)	18 Aug 2015 (incorporation date)	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Management & administration services	100% of issued share capital
Utmost Ireland dac (previously Harcourt Life International dac)	26 Jul 2016	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Life insurance	100% of issued share capital
Augura Ireland dac (previously Augura Life Ireland dac)	30 Nov 2016	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Life insurance	100% of issued share capital
Altraplan Bermuda Limited	30 Nov 2016	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Life insurance	100% of issued share capital
Union Heritage dac (previously Union Heritage Life Assurance Company dac)	09 Mar 2017	Block 2, Harcourt Centre Harcourt Street, Dublin 2 Ireland	Life insurance	100% of issued share capital
Salado Enterprises Limited	11 Mar 2015	Jubilee Buildings Victoria Street, Douglas Isle of Man	Property holding	100% of issued share capital
Kernesk Limited	11 Mar 2015	Jubilee Buildings Victoria Street, Douglas Isle of Man	Property holding	100% of issued share capital
Domi Ostenhellweg GMBH	11 Mar 2015	Ostenhellweg 32-34, 44135 Dortmund Germany	Property holding	94.6% of issued share capital
Belalan Holding SPRL	11 Mar 2015	Avenue Louise 65, Box 12 1050 Brussels Belgium	Property holding	100% of issued share capital
Zeus Investments 1 SPRL Zeus Investments 2 SPRL	04 Oct 2016	Avenue Louise 65, Box 12 1050 Brussels Belgium	Property holding	100% of issued share capital

2 Subsidiaries (continued)

Below is an analysis of the net assets of the acquired subsidiaries during the financial year, the consideration paid and the intangible assets arising from these acquisitions.

The accounting policy of the group for the valuation of shareholder investments in life assurance companies is own funds plus risk margin. This is deemed a suitable valuation basis as it has a robust and realistic valuation basis after due consideration.

Any businesses acquired which are outside of the Solvency II regime will be reviewed on a case by case basis and a market consistent approach will be the deemed valuation basis.

Union Heritage Designated Activity Company

	Fair value €'000
Assets	
Financial assets at fair value through profit or loss	2,077
Reinsurance assets	-
Deferred tax asset	-
Deferred acquisition costs	93
Cash and cash equivalents	4,006
Other assets	14
Total assets	**6,190**
Liabilities	
Liabilities to customers under insurance contracts	1,300
Liabilities to customers under investment contracts	-
Other liabilities	60
Total liabilities	**1,360**
Net assets	**4,830**
Consideration paid	3,000
Gain arising from bargain purchase (note 5)	1,830

This business combination resulted in a bargain purchase because the fair value of the assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid. This was driven by the fact that Torchmark Corporation considered the business non-core and wished to exit the Irish market.

3 Fee and commission income

	Consolidated	
	2017 €'000	**2016 €'000**
Net change in deferred income	**33,013**	2,404
Fee income from investment contracts	**5,023**	5,422
	38,036	7,826

4 Net investment income

	Consolidated 2017 €'000	2016 €'000
Interest on available for sale financial assets	**54**	284
Investment income	**151,911**	52,148
	151,965	52,432

5 Other operating income

	Consolidated		Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Change in fair value of financial assets attributable to Non-controlling interest	**(258)**	-	**-**	-
Change in fair value of financial assets	**330**	-	**-**	-
Gains arising from bargain purchases (note 2)	**1,830**	12,109	**-**	-
Other income	**370**	148	**-**	-
	2,272	12,257	**-**	-

6 Administrative expenses

	Consolidated		Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Staff costs				
Wages and salaries	**4,419**	4,088	**-**	-
Retirement benefit costs	**323**	252	**-**	-
Social insurance costs	**504**	446	**-**	-
Other staff costs	**3**	15	**-**	-
	5,249	4,801	**-**	-
Other administrative costs	**13,928**	8,627	**-**	5
Total administrative costs	**19,177**	13,428	**-**	5

Statutory auditor's remuneration for the Group for 2017 (excluding VAT) amounted to:

	Consolidated		Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Audit services	**367**	327	**-**	-
Other assurance services	**104**	114	**-**	-
Taxation and other non-audit services	**20**	-	**-**	-
	491	441	**-**	-

All administrative expenses of the Company are borne by its immediate subsidiary LCCG Holdings (No 1) Limited.

6 Administrative expenses

The financial year's profit before tax is stated after charging Directors' remuneration for the Company's directors as follows:

	Directors' salaries €'000	Annual taxable benefits €'000	Total €'000
2017	845	-	845
2016	1,275	-	1,275

All Directors' fees are paid by LCCG UK Limited.

The average number of persons (including directors) employed by the Group during the year ended 31 December 2017 was 43 (2016: 42).

7 Taxation

	Consolidated		Company	
	2017 €'000	**2016 €'000**	**2017 €'000**	**2016 €'000**
Current taxation	**(74)**	(127)	**-**	-

The Company pays Guernsey income tax at the standard rate of 0% (2016: 0%). The subsidiary companies as detailed in note 2 pay tax at the standard tax rate of each jurisdiction.

The reconciliation of taxation on profits at the standard tax rate applicable in each jurisdiction to the actual tax charge is analysed as follows:

	Consolidated		Company	
	2017 €'000	**2016 €'000**	**2017 €'000**	**2016 €'000**
(Loss) / profit on ordinary activities before taxation	**(5,101)**	220	**-**	(1,473)
Tax at the Guernsey rate of 0% (2016: 0%)	**-**	-	**-**	-
Tax at the UK rate of 20% (2016: 20%)	**(62)**	(102)	**-**	-
Tax at the Irish rate of 12.5% (2016: 12.5%)	**(540)**	259	**-**	-
Income exempt from corporation tax charges	**-**	(713)	**-**	-
Foreign profits subject to lower corporation tax rates	**(72)**	-	**-**	
Prior year over provision	**-**	10	**-**	-
Other	**(2)**	(2)	**-**	-
Expenses not deductible for tax purposes permanent differences	**89**	12	**-**	-
Impact of Group Transfer Pricing Adjustments	**79**	-	**-**	
Fair value adjustment on investment in Subsidiaries	**(244)**	-	**-**	
Prior year losses utilised on which deferred tax was not recognised	**(375)**	-	**-**	
Losses carried forward on which no deferred tax asset is recognised	**1,053**	409	**-**	-
Tax charge for the financial year	**(74)**	(127)	**-**	-

Life Company Consolidation Group Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

8 Profit attributable to equity holders of the parent

	Consolidated 2017 €'000	2016 €'000
(Loss) / profit attributable to equity holders of the parent	(12,021)	371

9 Profit attributable to non-controlling interest

	Consolidated 2017 €'000	2016 €'000
Profit / (loss) attributable to non-controlling interest is analysed as follows:		
Equity interest	6,994	(27)

10 Fixed assets

	Hardware and software €'000	Fixtures and fittings €'000	Consolidated Property, plant & equipment €'000	Total €'000
Cost				
At beginning of the financial year	239	197	7	443
Additions	111	5	-	116
Disposals	-	-	-	-
At 31 December 2017	350	202	7	559
Depreciation				
At beginning of the financial year	(91)	(103)	(2)	(196)
On disposals	(116)	(70)	(1)	(187)
Charge for the financial year				-
At 31 December 2017	(207)	(173)	(3)	(383)
Net book values at 31 December 2017	**143**	**29**	**4**	**176**
Net book values at 31 December 2016	**148**	**94**	**5**	**247**

11 Investments in subsidiary undertakings

	Company 2017 €'000	Restated 2016 €'000
Balance at 1 January	**13,191**	22,350
Acquisitions during the financial year	**-**	-
Fair value movements in the financial year	**(13,168)**	(9,159)
Foreign exchange revaluation on translation to presentation currency	**(23)**	-
Balance at 31 December	**-**	13,191

12 Intangible assets

	Consolidated 2017 €'000	2016 €'000
Goodwill	**2,216**	2,216
	2,216	2,216

Positive goodwill was recognised as an intangible asset in 2016 following the acquisition of Altraplan in 2016.

13 Derivatives

The Group purchases derivative financial instruments in connection with the management of its insurance contract liabilities based on the principles of reduction of risk and efficient portfolio management.

The fair values of derivative financial instruments are as follows:

	2017 Assets €'000	2017 Liabilities €'000	2016 Assets €'000	2016 Liabilities €'000
Equity options	**315**	**-**	252	-

	Nominal amount 2017 €'000	2016 €'000
Equity options	**10,790**	5,706

The Company received collateral in respect of its derivative positions in 2016. Further information is provided in note 23. This was repaid during 2017.

14 Financial assets

	Consolidated 2017 €'000	2016 €'000
Loans and deposits at amortised cost	**68,099**	34,682
Financial assets held at fair value through profit or loss		
Designated at initial cost		
Equities	**27,247**	4,658
Fixed and variable income securities	**123,345**	112,658
Collective scheme investments	**2,106,897**	1,401,981
Investments in property structures	**493**	1,308
Held for trading		
Derivatives (note 13)	**315**	252
Other	**45,690**	28,535
Total assets	**2,372,086**	1,584,074

15 Available for sale financial assets

Debt securities held for investment purposes are classified as available for sale in accordance with IAS 39.

	Consolidated	
	2017	**2016**
	€'000	**€'000**
Investment securities		
Government bonds	**-**	25,935
At beginning of the financial year	**25,935**	38,504
Disposals	**(8,155)**	(5,047)
Maturities	**(17,406)**	(6,800)
Interest income	**54**	284
Coupons received	**(301)**	(667)
Fair value movements	**(127)**	(339)
Total assets	**-**	25,935

16 Investment property

	Consolidated	
	2017	**2016**
	€'000	**€'000**
Fair value		
At beginning of the financial year	**67,548**	177,023
Disposals	**(41,935)**	(148,123)
Depreciation	**-**	(1,155)
Fair value movements	**(1,542)**	39,803
At end of the financial year	**24,071**	67,548

Due to the nature of the business, some investment properties may meet the definition of available for sale assets as defined by IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. This does not impact the value they are held at in the financial statements.

17 Other assets

	Consolidated	
	2017	**2016**
	€'000	**€'000**
Other assets	**1,005**	2,512

18 Insurance assets

	Consolidated	
	2017	**2016**
	€'000	**€'000**
Insurance contract receivables	**12**	16

19 Liabilities to customers under insurance contracts

	Consolidated		Consolidated	
	Gross liabilities 2017 €'000	Reinsurers' share 2017 €'000	Gross liabilities 2016 €'000	Reinsurers' share 2016 €'000
Life assurance business:				
Insurance contracts	**613,840**	**477,249**	684,378	549,442
Investment contracts with discretionary participating features (DPF)	**55,637**	**-**	56,189	-
As at 31 December	**669,477**	**477,249**	740,567	549,442
As at 1 January	**740,567**	**549,442**	232,389	15,366
Additions on acquisition of subsidiaries	**1,700**	**-**	473,222	471,781
Policyholder premiums	**679**	**-**	270	-
Policyholder claims	**(175,545)**	**-**	(27,446)	-
Other changes in liabilities	**102,076**	**(72,193)**	62,132	62,295
As at 31 December	**669,477**	**477,249**	740,567	549,442

20 Unallocated surplus

	Consolidated	
	2017 €'000	2016 €'000
At 1 January	**28,310**	27,448
Transfer from statements of comprehensive income	**4,195**	4,765
Foreign exchange adjustments	**(1,075)**	(3,903)
At 31 December	**31,430**	28,310

21 Liabilities to customers under investment contracts

	Consolidated	
	2017 €'000	2016 €'000
At 1 January	**1,374,022**	139,458
Additions on acquisition of subsidiaries	**-**	1,292,007
Premium income	**-**	79
Long Term Business Provision	**2,661**	-
Claims	**(25,328)**	(46,303)
Other changes in liabilities	**781,199**	(11,219)
At 31 December	**2,132,554**	1,374,022

22 Payables related to direct insurance contracts

	Consolidated	
	2017 €'000	2016 €'000
Payables related to direct insurance contracts	**14,939**	19,605
Reinsurance payables	**-**	12

23 Financial liabilities

	Consolidated 2017 €'000	2016 €'000
Obligations for repayment of collateral received	**-**	58

Collateral sums are deposited back to the Group by credit institutions in order to reduce the counterparty risk to the Group on particular assets held to back certain policyholder benefits. Interest on deposit back arrangements is currently payable on the amounts owed based on Sterling Overnight Index Average rates. The collateral was repaid during 2017.

24 Borrowings from banks

	Consolidated 2017 €'000	2016 €'000
Borrowings from banks at fair value	**11,553**	44,460

The acquisition of the majority of investment properties on behalf of unit-linked policyholders was funded by borrowings. Borrowings from banks have been advanced on a limited recourse basis, with the borrowings secured against the assets in which the Group has invested. Under the terms of the funding security agreements there is no further recourse to the Group beyond the value of the assets held as security.

25 Other liabilities

	Consolidated 2017 €'000	2016 €'000
Tax payable - policyholders	**289**	845
Tax payable - own account	**-**	730
Onerous contact provision	**-**	10,476
Deferred income	**16,612**	48,943
PAYE/PRSI	**104**	307
Creditors arising out of direct insurance operations	**1,813**	2,604
Other liabilities	**2,358**	4,512
	21,176	68,417

During the year the Group released the onerous contract provision.

26 Called up share capital presented as equity

	Consolidated and the Company 2017 Number	2016 Number
Allotted, called up and fully paid		
A ordinary shares of £1 each	**96,250**	87,500
B ordinary shares of £1 each	**13,750**	12,500
	€'000	**€'000**
A ordinary shares of £1 each	**131**	122
B ordinary shares of £1 each	**17**	15
	148	137

26 Called up share capital presented as equity (continued)

The movements in the financial year were as follows:

	A Ordinary Number	B Ordinary Number
At 1 January 2017	87,500	12,500
Issued during the year	8,750	1,250
At 31 December 2017	**96,250**	**13,750**

	A Ordinary €'000	B Ordinary €'000	Total €'000
At 1 January 2017	122	15	137
Issued during the year	10	1	11
At 31 December 2017	**132**	**16**	**148**

27 Other reserves

	Consolidated		Company	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Available for sale reserve				
At 1 January	(619)	(280)	-	-
Movement in available for sale reserve	(127)	(339)	-	-
At 31 December	**(746)**	**(619)**	-	-
Investment foreign currency translation reserve				
At 1 January	(1,501)	-	-	-
Movement in foreign currency translation reserve	2,565	(1,501)	**(24)**	-
At 31 December	**1,064**	**(1,501)**	**(24)**	-
Other reserves as at 31 December 2017	**318**	**(2,120)**	**(24)**	-
Other reserves as at 31 December 2016	**(2,120)**	**(280)**	-	-

28 Non-controlling interest

	Consolidated		Company	
		Restated		
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Premium on preference shares issued, but not owned by the Group				
At beginning of the financial year	**83,100**	48,500	-	-
Issued during the financial year	**2,400**	34,600	-	-
At 31 December	**85,500**	83,100	-	-
Income allocated to preference shareholders	**14,945**	7,951	-	-
Total Non-controlling interest	**100,445**	91,051	-	-

28 Non-controlling interest (continued)

LCCG Holdings (No 1) Limited (the Subsidiary) has issued 85,500,000 (2016: 83,100,000) preference shares of €0.000001 each, at a price of €1.00 per share, and 100 (2016: 100) S ordinary shares of £1 each that are not owned by the Company. The resultant share capital and the share premium on the preference shares is accordingly reflected as a non-controlling interest on consolidation. The S ordinary shares and preference shares are redeemable at the option of the Subsidiary and do not carry any voting rights or guaranteed dividends. However, the preference shareholders are entitled to a return equivalent to 8% per annum in priority to ordinary shareholders. Payment of the Subsidiary's reserves can only be made in accordance with the Subsidiary's distribution terms as set out in the Subsidiary's Articles of Association. On winding up the preference shares have priority over S ordinary shares which in turn have priority over the ordinary shares.

29 Cash flow statement

	Consolidated		Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
(Loss) / profit for the year	**(5,027)**	344	**(13,168)**	(1,473)
Non-cash movements				
Depreciation	**186**	121	**-**	-
Share of non-controlling interests profit	**-**	27	**-**	-
Interest income on available for sale assets	**(54)**	(284)	**-**	-
Changes in fair value of investments in subsidiaries	**-**	-	**13,167**	1,468
Changes in fair value of financial assets	**-**	(1,237)	**-**	-
Change in unallocated surplus	**3,121**	862	**-**	-
Change in accruals and provisions	**(8,750)**	(531)	**-**	-
Change in fair value of investment contracts	**96,726**	20,330	**-**	-
Change in foreign currency reserve	**(300)**	(1,501)	**-**	-
Change in available for sale reserves	**(126)**	(339)	**-**	-
Change in operating assets and liabilities				
Premium income	**717**	422	**-**	-
Claims	**(263,346)**	(104,328)	**-**	-
Change in intangible assets	**-**	4,657	**-**	-
Change in other assets	**3,107**	(3,000)	**-**	-
Change in other liabilities	**(36,496)**	52,343	**-**	-
Change in investment property	**43,477**	109,475	**-**	-
Change in financial assets	**(788,015)**	(1,295,363)	**-**	-
Change in deferred tax asset	**(74)**	(2,052)	**-**	-
Change in financial liabilities	**(58)**	(10)	**-**	-
Change in deferred acquisition costs	**22,413**	(30,711)	**-**	-
Change in net reinsurance assets	**72,186**	(534,076)	**-**	-
Change in insurance contract payables	**(4,666)**	15,368	**-**	-
Change in investments contract liabilities	**853,347**	1,826,320	**-**	-
Change in borrowings from banks	**(32,907)**	(91,049)	**-**	-
Change in fair value of available for sale assets	**126**	339	**-**	-
Gain on bargain purchase	**1,830**	-	**-**	-
Net cash flows (used in) operating activities	**(42,583)**	(33,873)	**(1)**	(5)

30 Risk management

The identification, measurement and management of risk is a priority for the Group. Consequently the Board of Directors has established a comprehensive framework covering accountability, oversight, measurement and reporting to ensure maintenance of sound systems of internal control and risk management to ensure the Group operates within its risk appetite.

Risk appetite is a measure of the amount and type of risks the Group is willing to accept in pursuit of its objectives. It seeks to encourage a measured and appropriate approach to risk to ensure risks are understood and aligned to the business strategy and objectives. The primary objective is the protection of the solvency ratio to ensure it has and will have sufficient capital to discharge all liabilities as and when they become due.

30.1 Governance Structure

The Group's governance structure comprises of the appropriate Board and sub-committee's structures in each of the subsidiary operating companies. The sub-committees are Audit Committee, Risk and Compliance Committee and Investment Committee.

The Board is responsible for identifying and articulating the risk appetite of the Group which is expressed and managed through the Risk Appetite Statement. The Risk Appetite Statement is reviewed annually following recommendation from the Risk and Compliance Committee.

The Audit Committee is responsible for reviewing the appropriateness and completeness of the systems of internal control. The Audit Committee also reviews the annual financial statements, considers the significant financial reporting issues and judgements which they contain and makes recommendations to the Board concerning their content and approval.

The Risk and Compliance Committee is responsible for the review and oversight of the risk and compliance profile of the Group within the context of the determined risk appetite and in the context of external events and the business plans of the Group.

The Investment Committee is responsible for the Group's overall asset management strategy and policies and for identifying, monitoring, reporting, and controlling the risks connected with investment activities and approving changes to specific investments and changes to appetite or tolerances.

The principal risks faced by the Group are operational risk (including amongst others litigation risk and limited recourse risk) taxation risk, market risk, governance, regulatory and compliance risk, and strategic risk, including risks related to the acquisition and integration of other businesses. Being mindful of the CBI PRISM categories for the regulated entities, other risks faced by the Group include credit risk, market risk, liquidity risk and funding risk.

Existing or potential future risk exposures are investigated in a structured way, using internal and external resources and actions to mitigate, contain or remove these risks are taken.

30.2 Operational Risk

Operational risk represents the risk that failed or inadequate processes, people or systems, or exposure to external events could result in unexpected losses. The risk is associated with human error, systems failure and inadequate controls and procedures.

The Group recognises the importance of retaining key resources in order to operate effectively.

30 Risk management (continued)

30.2 Operational Risk (continued)

The Group operates such measures of risk identification, assessment, monitoring and management as are necessary to ensure that operational risk management is consistent with the approach, aims and strategic goals of the Group and is designed to safeguard the Group's assets while allowing the Group to earn a satisfactory return for shareholders and policyholders.

The Group has taken steps to minimise the impact of external physical events which would interrupt normal business, for example an inability to access or trade from the premises. A disaster recovery plan is in place for workspace recovery and retrieval of data and IT systems. These procedures would enable the Group to move operations to alternative facilities.

The risk management framework includes the responsibilities of senior management, the requirement for reporting of operational risk incidents and the role of internal and external control functions of the Group in providing independent assurance. Recognising that operational risk cannot be entirely eliminated, the Group implements risk mitigation controls including fraud prevention, contingency planning and incident management and reporting.

30.3 Litigation Risk

The Group's business is subject to the risk of litigation by counterparties, policyholders or other third parties through private actions, class actions, regulatory actions, criminal proceedings or other forms of litigation. The outcome of any such litigation, proceedings or actions is difficult to assess or quantify. The cost of defending such litigation, proceedings or actions may be significant. As a result, such litigation, proceedings or actions may adversely affect the Group's business, financial condition, results, operations or reputation. The Group continues to rigorously defend any legal action that has been taken against it and has engaged the necessary legal resources as required.

30.4 Limited Recourse Risk

The basis of preparation of HLC's financial statements is dependent on the principle that the recourse of lenders for payments in respect of all loans to HLC is limited to specified security. Any successful challenge to this premise would have serious implications for the solvency of HLC and its ability to continue as a going concern. By the end of 2017 HLC had unwound the majority of its loans without any residual debt issues arising which would cast into doubt the limited recourse nature of the transactions.

30.5 Outsourcing Risk

As part of the strategy of acquiring additional businesses the Group completed the acquisition of HLI in 2015 and UI in 2016. The policy administration and management services of HLI are outsourced to DST Limited ('DST') formerly International Financial Data Services Ltd and for UI, Capita, thereby presenting the risk that the outsourcer does not provide the service standards expected or becomes unable to provide the services contracted and underwritten by the Group, or poses a potential counterparty credit risk.

There are service level agreements in place and the relationship with DST continued to be overseen by PLL during 2017. As part of the transition of services between PLL/HLI and HLC the transition arrangements will include the handover of management of the relationship and service provision. This arrangement continued during 2017 for Policy Administration, Risk and Compliance with the anticipation that these support services will be handed over during 2018.

30.6 Strategic Risk

Strategic risk covers the inherent risk present in the strategy of the entity. The particular strategic risks faced by the Group at this time surround the dual challenges of managing the existing business whilst seeking to execute transactions to acquire, integrate and manage new acquired life funds.

The Group has made a provision in respect of future costs associated with continuing to provide administrative services to policyholders under their pensions and life assurance contracts, the cost of which is expected to exceed the related economic benefit to the Group. Changes in the estimated future income and costs or the time taken to complete the runoff of the business could materially affect the provision level.

30 Risk management (continued)

30.6 Strategic Risk (continued)

As part of the strategy to grow through acquisition, the Group is exposed to the risk that it does not complete effective due diligence and is then exposed to the financial risks in completing the transaction and managing the business. All acquisitions are subject to detailed due diligence supported by independent professional subject matter experts and are then subject to scrutiny and approved by the Board.

In addition the Group is exposed to the risk of failing to integrate and successfully restructure the businesses it has acquired. The process of integration, restructuring and managing the combined businesses, particularly in a small organisation with limited staff numbers, poses particular challenges and is subject to focus at the highest level involving the entire management team.

30.7 Taxation Risk

Taxation risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risk effectively could lead to additional tax charges. It could also lead to financial penalties for failure to comply with required tax procedures or other aspects of tax law. The Group is subject to the application and interpretation of tax laws in all countries in which it operates and/or it has invested into. Providing sufficient cash flows are available tax liabilities arising from unit-linked investments are, in general, met through a reduction in the related liability to policyholders under investment contracts. The Group has internal tax resources and external tax advisors. Notwithstanding the use of both internal and external taxation advice, tax authorities could take a contrasting view on the interpretation of certain aspects of tax law to that of the Group and its advisors. If the costs associated with the resolution of tax matters are greater than anticipated, it could negatively impact the financial position of the Group.

30.8 Governance & Regulatory Compliance Risk

Governance covers the overall oversight and control mechanisms which a firm has in place to ensure it is soundly and prudently managed. Regulatory compliance risk primarily arises from a failure or inability to comply fully with the laws, regulations, standards or codes applicable specifically to regulated entities in the financial services industry. Any non-compliance may result in the Group being subject to regulatory sanctions, material financial loss and/or loss of reputation. Changes in legislation or regulatory interpretation applying to the life assurance industry may adversely affect the Group's capital requirements and, consequently, reported results and financing requirements.

One of the most significant regulatory changes facing the regulated entities Harcourt Life Assurance Designated Activity Company and Scottish Mutual International Limited is Solvency II. Solvency II is a fundamental review of the governance, risk management and capital adequacy regime for the European insurance industry and it aims to establish a revised set of EU-wide capital requirements and risk management standards that will replace the current solvency requirements.

The regulated entities within the Group are compliant with all aspects of the regulations and guidelines.

30.9 Market Risk

Market risk is the risk that the value of an investment or portfolio decreases as a result of changes in, inter alia, equity prices, foreign exchange rates, interest rates and/or commodity prices.

The extent of the exposure to market risk is managed by the respective investment committees in the subsidiary operating companies and via compliance with the respective investment policies incorporating defined limits and guidelines. Both the operational compliance and the risk appetite are actively managed through the Investment Committees.

Concentration risk is one factor considered to ensure there is no loss arising from overdependence on a single asset class or category of business (see Credit Risk note).

30 Risk management (continued)

30.10 Unit Linked Funds

Assets held on behalf of policyholders are subject to market risk, including price and foreign exchange risk, credit risk, liquidity risk and funding risk. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities. The Group's exposure to market risk on unit linked funds is limited to the extent that income arising from asset management charges in certain funds, and its ability to collect that income, is based on the cash flows arising and the value of the assets in the fund, and to changes in the value of any units in funds the Group may hold. In many funds the asset management charge is based on the higher of premiums paid or fund value, further limiting this risk.

30.11 Interest Rate Risk

The Group holds assets, on behalf of policyholders, which are exposed to interest rate movements. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities.

For unitised with-profit business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. In practice, the Group maintains an appropriate mix of fixed and variable rate income securities according to the underlying insurance or investment contracts and review this at regular intervals to ensure that overall exposure is kept within the agreed risk profile. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

30.12 Foreign Currency Risk

The Group holds assets, on behalf of policyholders, which are exposed to currency movements. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities. The Group also has exposure to currency movements as a portion of its unit-linked shareholder assets are invested in currencies other than Euro.

30.13 Fee Recoverability Risk

Fees arising on investment management services provided to holders of investment contracts are recognised on an accruals basis. Where there is insufficient cash flow arising from property assets to pay the management fees due, accrued fee income is recognised only to the extent that it is expected to be recoverable. In many cases, the recovery of accrued fee income is likely to be dependent on the ultimate sale of the related property assets. Future falls in value of investment properties could negatively impact the ability of the Group to recover its accrued fee income. The Group does not recognise uncollected fee income on assets where the current value of the property is less than the amount of the related debt.

30.14 Liquidity Risk

The Group's principal exposure to liquidity risk arises in relation to the sale of illiquid assets required to meet liabilities in the event of the death of a policyholder. The Group may be obliged to purchase illiquid assets from a unit-linked fund in order to provide cash benefits to a policyholder's estate. With the exception of certain pension business, the Group has reserved the right to defer payment of death benefits from closed funds until there is sufficient liquidity in the fund to allow for an orderly realisation of cash.

The Group is required to pay certain taxes and levies to the Revenue Commissioners in Ireland on behalf of policyholders. Where policyholder investments are held in property structures with insufficient liquidity then the Group may be required to meet these various tax obligations out of its own resources with the Group acquiring investment units in exchange or until such time as there is sufficient cash available from the related policyholder investments to refund the Group.

30 Risk management (continued)

30.15 Insurance risk

Insurance risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. The Group's contracts include the following sources of insurance risk:

- Mortality – Higher than expected death claims on assurance products;
- Expenses – Policies cost more to administer than expected;
- Lapses – An adverse movement in ether surrender rates or persistency rates on policies with guaranteed benefits leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.

30.15.1 Objectives and policies for mitigating insurance risk

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. In addition to this, mortality, longevity and morbidity risks are in certain circumstances mitigated by the use of reinsurance.

The profitability of the run-off of the Group's closed long-term insurance businesses depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

It is therefore necessary for the Board to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination.

30.16 Assumptions

30.16.1 Valuation of insurance contracts

Non-linked, non-profit term assurances are valued using the gross premium method. For unitised with-profit contracts, the number of units allocated to the contract is multiplied by the bid price and then reduced by Market Value Adjustment factors, where appropriate and permissible under policy conditions, in order to give a liability which represents a fair assessment of the surrender value according to the Board's interpretation of policyholder reasonable expectations. Linked contracts are valued individually, with the number of units allocated to the contract being multiplied by the valuation price for the corresponding internal linked fund.

Cash flow calculations have been made individually for each linked contract. Positive reserves have been set up, where appropriate, to cover future mortality and/or expense strain. Additional unit reserves exist to cover the cost of future loyalty bonuses on certain products. The overall unit and reserve for each contract is always at least equal to the surrender value, subject to a minimum of zero.

Demographic assumptions are derived by adding a prudent margin to best estimate assumptions. They are determined after considering the Group's recent experience and/or relevant industry data. Economic assumptions are prudent estimates of the returns expected to be achieved on the assets backing the liabilities.

During the financial year a number of changes were made to assumptions to reflect changes in expected experience. None of the changes had any material impact.

30 Risk management (continued)

30.16.2 Valuation interest rate

The method used to determine valuation interest rates generally follows the regulations set out in Annex IV of the European Communities (Life Assurance) Framework Regulations, 1994.

Assets are firstly hypothecated to classes of business being valued. The valuation interest rates for each block of business are based on the expected returns of the hypothecated assets. The yield is then adjusted to make allowance for credit risk, liquidity risk, investment risk and investment management expenses.

30.16.3 Mortality and longevity rates

Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, Company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity.

30.16.4 Lapse rates

The assumed rates for surrender and voluntary premium discontinuance in the participating business depend primarily on the length of time a policy has been in force. Withdrawal rates used in the valuation of unitised with-profit policies are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unitised with-profit contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

30.16.5 Policyholder options and guarantees

Some of the Group's products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholders' discretion. These products are described below.

Most unitised with-profit contracts give a guaranteed minimum payment on death. Some with-profit bonds pay a guaranteed minimum surrender value, expressed as a percentage of the original premium, on a specified anniversary or anniversaries of commencement. Annual bonuses, when added to unitised with-profit contracts, usually increase the guaranteed amount.

30.16.6 Discretionary participating bonus rate

The regular bonus rates are determined by the Board in accordance with established procedures. Final bonuses are declared by the Board with the aim that payments at maturity or on surrender will equal the value of asset shares subject to smoothing.

Unitised with-profit deferred annuities participate in profits only up to the date of retirement.

Sensitivities for the regulated entities are listed below.

30 Risk management (continued)

30.16.6 Discretionary participating bonus rate (continued)

HLC

The below table summarises the impact of key sensitivities on IFRS Insurance Contract Liabilities

Sensitivities	Insurance Liabilities €'000
Lapse rate increase by 10%	497
Lapse rate decrease by 10%	(439)
Expense increase by 10%	317
Interest rate -1%	188
Interest rate +1%	(166)

HLI

A decrease of 5% in assurance mortality, with all other variables held constant, would result in a decrease in the profit after tax in respect of a full year and an increase in equity of €24,669 (2016: €2,257).

An increase of 5% in assurance mortality, with all other variables held constant, would result in an increase in the profit after tax in respect of a full year and a decrease in equity of €23,279 (2016: €1,961).

A decrease of 25% in lapse rates, with all other variables held constant, would result in a decrease in the profit after tax in respect of a full year and an increase in equity of €501,910 (2016: €203,385).

An increase of 25% in lapse rates, with all other variables held constant, would result in an increase in the profit after tax in respect of a full year and a decrease in equity of €400,639 (2016: €154,152).

Augura

The below table summarises the impact of key sensitivities on IFRS Insurance Contract Liabilities

Sensitivities	Insurance Liabilities €'000
Lapse rate increase by 10%	(250)
Lapse rate decrease by 10%	238
Expense increase by 10%	593
Interest rate -1%	240
Interest rate +1%	(223)

Sensitivities for USIL, Altraplan and UI are not included as there is no insurance risk within these businesses except for UI. The Insurance risk within UI is fully reinsured therefore sensitivities are not conducted as the insurance risk is deemed to be mitigated by the reinsurance agreement.

30 Risk management (continued)

30.17 Managing product risk

The following sections give an assessment of the risks associated with the Group's main life assurance products and the ways in which the Company manages those risks.

30.17.1 With-profit business (Unitised)

The Company operates a number of unitised with-profits funds in which the unitised with-profit policyholders benefit from a discretionary annual bonus (guaranteed once added in most cases) and a discretionary final bonus.

The investment strategy of each unitised fund differs, but is broadly to invest in a mixture of fixed and variable rate income securities and equities in such proportions as is appropriate to the investment risk exposure of the fund and its capital resources.

The bonuses are designed to distribute to policyholders a fair share of the return on the assets in the with-profit funds together with other elements of the experience of the fund. The shareholders are entitled to receive a percentage of the cost of bonuses declared.

Unitised with-profit policies purchase notional units in a unitised with-profit fund. Benefit payments for unitised policies are then dependent on unit prices at the time of a claim, although charges may be applied. A unitised with-profit fund price is guaranteed not to fall and increases in line with any discretionary annual bonus payments over the course of one year.

30.17.2 Protection

These contracts are typically secured by the payment of a regular premium payable for a period of years providing benefits payable on certain events occurring within the period. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness.

The main risk associated with this product is the claims experience and this risk is managed through the initial pricing of the policy (based on actuarial principles), the use of reinsurance and a clear process for administering claims.

30.18 Credit Risk

Credit Risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group has low tolerance for any credit risk exposure and maintains its assets in institutions and instruments with strong credit ratings.

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Investment guidelines are subject to approval by the Investment Committee and Board of Directors.

There are two principal sources of credit risk for the Company:

- Credit risk which results from direct investment activities, including investments in fixed and variable rate income securities, derivatives, collective investment schemes, hedge funds and the placing of cash deposits; and

- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance, and the lending of securities.

Credit risk is managed by the monitoring of Group exposures to individual counterparties and by appropriate credit risk diversification. The Group manages the level of credit risk it accepts through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives. The credit risk borne by the owners on unitised with-profit policies is dependent on the extent to which the underlying insurance fund is relying on owners' support.

30 Risk management (continued)

30.18.1 Credit risk concentrations

Concentration of credit risk might exist where the Group has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

The Group is also exposed to concentration risk with outsourced service providers. This is due to the nature of the outsourced services market. The Group operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees and measured through stress and scenario testing.

30.18.2 Reinsurance

The Group is exposed to credit risk as a result of insurance risk transfer contracts with reinsurers. This also gives rise to concentration of risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.

30.18.3 Collateral

The credit risk of the Group is mitigated, in certain circumstances, by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained to provide security against the maturity proceeds of derivative financial instruments. Management monitors the market value of the collateral received, requests additional collateral when needed and performs an impairment valuation when impairment indicators exist and the asset is not fully secured.

The following table provides a maturity analysis showing the remaining contractual maturities of the Group's undiscounted financial liabilities and associated interest. The contractual maturities of liabilities under insurance contracts are included based on the estimated timing of the amounts recognised in the Statement of Financial Position in accordance with the requirements of IFRS 4:

31 December 2017	**Up to 1 year €'000**	**1 to 5 years €'000**	**Greater than 5 years €'000**	**No contractual maturity €'000**	**Total €'000**
Insurance contract liabilities	60,632	167,536	472,739	-	700,907
Investments contract liabilities	163,132	487,001	1,482,421	-	2,132,554
Borrowings	-	-	-	11,553	11,553
Payables related to direct insurance contracts	14,939	-	-	-	14,939
Other liabilities	7,108	7,100	6,968	-	21,176
31 December 2016					
Insurance contract liabilities	66,524	176,169	493,756	32,428	768,877
Investments contract liabilities	99,510	261,439	418,267	594,806	1,374,022
Borrowings	-	22,700	-	21,760	44,460
Obligations for repayments of collateral received	58	-	-	-	58
Reinsurance payables	12	-	-	-	12
Payables related to direct insurance contracts	19,605	-	-	-	19,605
Other liabilities	6,911	7,666	27,784	28,867	71,228

31 Fair value disclosures

Fair value, as defined by IFRS 13 Fair Value Measurement, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with IFRS 13, the Group has applied the fair value hierarchy classification to all assets and liabilities measured at fair value. This requires the Group to classify such assets and liabilities according to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments:

- Level 1: Fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.
- Level 3: Includes valuations for assets that are not based on observable market data (unobservable inputs) or where only stale prices are available.

Readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position or to make comparisons with other institutions.

The following table sets out the carrying amount and fair value of assets and liabilities measured at fair value across the three levels of the hierarchy as at 31 December 2017.

Consolidated Assets and Liabilities at Fair Value as at 31 December 2017

	Carrying amounts Total €'000	Fair value hierarchy Level 1 €'000	Level 2 €'000	Level 3 €'000
Assets				
Investment property				
UK				
- Retail	20,415	-	-	20,415
- Residential	-	-	-	-
Ireland				
- Retail	-	-	-	-
- Residential	3,656	-	-	3,656
- Mixed use	-	-	-	-
- Other	-	-	-	-
Europe				
- Mixed use	-	-	-	-
	24,071	-	-	24,071
Financial assets at fair value through profit or loss				
- Investments in property structures	493	-	-	493
- Equity shares	27,247	8,431	-	18,816
- Derivatives	315	-	315	-
- Fixed and variable rate income securities	31,413	7,042	24,371	-
- Collective investment structures	2,106,897	457,042	1,607,873	41,982
	2,166,365	472,515	1,632,559	61,291
Loans and deposits	68,099	-	68,099	-
Cash and cash equivalents	96,107	-	96,107	-
Debt securities	91,932	91,932	-	-
Other	45,690	-	45,690	
Total Assets At Fair Value	**2,492,264**	**564,447**	**1,842,455**	**85,362**

Life Company Consolidation Group Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

31 Fair value disclosures (continued)

Consolidated Assets and Liabilities at Fair Value as at 31 December 2017

	Carrying amounts Total €'000	Fair value hierarchy Level 1 €'000	Level 2 €'000	Level 3 €'000
Liabilities				
Borrowings from banks	(11,553)	-	(11,553)	-
Total Liabilities At Fair Value	**(11,553)**	**-**	**(11,553)**	**-**

Company Assets and Liabilities at Fair Value as at 31 December 2017

Assets				
Investments in subsidiaries	-	-	-	-
Deposits with banks	39	-	39	-
Total Assets At Fair Value	**39**	**-**	**39**	**-**

The following table sets out the carrying amount and fair value of assets and liabilities measured at fair value across the three levels of the hierarchy as at 31 December 2016.

Consolidated Assets and Liabilities at Fair Value as at 31 December 2016

	Carrying amounts Total €'000	Fair value hierarchy Level 1 €'000	Level 2 €'000	Level 3 €'000
Assets				
Investment property				
UK				
- Retail	22,732			22,732
- Residential	224			224
Ireland				
- Retail	31,904			31,904
- Residential	3,070			3,070
- Mixed use	6,959			6,959
- Other	-			-
Europe				
- Mixed use	2,659			2,659
	67,548	-	-	67,548
Financial assets at fair value through profit or loss				
- Investments in property structures	1,308	-	-	1,308
- Equity shares	27,986	8,672	-	19,314
- Derivatives	252	-	252	-
- Fixed and variable rate income securities	42,863	42,863	-	-
- Collective investment structures	1,378,378	609,718	718,525	50,135
	1,450,787	661,253	718,777	70,757
Loans and deposits	34,682	-	34,682	-
Cash and cash equivalents	114,113	-	114,113	-
Available for sale assets	25,935	25,935	-	-
Debt securities	70,065	70,065	-	-
Other	28,536	-	28,536	-
Total Assets At Fair Value	**1,791,666**	**757,253**	**896,108**	**138,305**

31 Fair value disclosures (continued)

Consolidated Assets and Liabilities at Fair Value as at 31 December 2016

	Carrying amounts Total €'000	Fair value hierarchy Level 1 €'000	Level 2 €'000	Level 3 €'000
Liabilities				
Borrowings from banks	(44,460)	-	(44,460)	-
Total Liabilities At Fair Value	**(44,460)**	**-**	**(44,460)**	**-**

Company Assets and Liabilities at Fair Value as at 31 December 2016

	Carrying amounts Total €'000	Fair value hierarchy Level 1 €'000	Level 2 €'000	Level 3 €'000
Assets				
Investments in subsidiaries	13,191	-	-	13,191
Deposits with banks	29	-	29	-
Total Assets At Fair Value	**13,220**	**-**	**29**	**13,191**

31.1 Financial assets at fair value through profit and loss

The Group discloses its financial assets at fair value through profit and loss under the following classes -investment in property structures, equity shares, debt securities, derivatives, fixed and variable rate income securities, collective investment schemes and loans and deposits.

31.2 Investments in property structures

The fair values of investments in property structures were derived from inputs comprising at least one unobservable input and therefore have been classified as Level 3.

31.3 Equity shares

The fair values of equity shares have been determined using quoted market prices in active markets. In cases where the Company had no control over the pricing of the assets and oversight over the inputs used to calculate fair value or where only stale prices were available, the assets' fair values were categorised as Level 3.

31.4 Fixed and variable rate income securities

The fair value available for fixed and variable rate income securities has been determined using bid prices and have been categorised as level 1.

31.5 Collective investment schemes

The fair value available for collective investment schemes has been determined using bid prices and have been categorised as level 1. Where published bid prices are not available and the fair value is estimated using pricing models based on market related data or discounted cash flow techniques, the collective investment schemes are classified as level 2.

31.6 Derivative financial instruments

Fair values of derivative financial instruments are typically estimated using industry standard valuation techniques incorporating inputs that are derived from observable market data and therefore are classified as Level 2 in the fair value hierarchy.

31.7 Loans and deposits

The fair value of loans and deposits where published bid prices are not available are estimated using discounted cash flow techniques. Estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

31 Fair value disclosures (continued)

31.8 Deposits with banks

The fair value of overnight placements or call accounts is their carrying amount.

31.9 Available for sale financial assets

The fair value of available for sale financial assets has been determined using bid prices.

31.10 Investment property

The Group considered the nature, characteristics and risks of investment properties and decided to apply the following factors in order to determine the appropriate asset classes:

- the real estate segment (office, retail, residential, mixed use and other)
- geographical location (Ireland, UK and Europe).

The Group has classified its investment property as Level 3 in the fair value hierarchy as the Group has determined that at least one significant unobservable input was used to determine their fair values.

At the end of 31 December 2016 the Group obtained external valuations for approximately 93% of its €68m investment property portfolio. The external valuations were prepared by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the location and category of the respective property. A number of properties were not valued at the end of the financial period due to market sensitivity surrounding pending sale or other regarding the properties. All other properties are valued at least once every three years.

All major inputs to the independent valuation reports and the results of the valuations are reviewed by the Group's property team. Discussions of valuation process and its results are held between the property team, the CEO and the HLC Investment Committee around the end of the financial reporting period.

At 31 December 2017 valuation techniques, significant unobservable inputs and other assumptions used in Level 3 valuations are as follows:

Class	Valuation technique	Inputs	Range of assumptions
UK			
Retail	Income capitalisation	Net initial yield	5.68%-6.25%
		Estimated rental value	€1m pa - €1.3m pa
		Passing rent	€6.60 psf pa
		Length of leases in place	1 - 76 years
Ireland			
Residential	Market comparison	Sale price of other similar properties in the area	N/A

Increases in the estimated rental values and passing rents and decreases in vacancy rates would result in an increase of the fair values of the properties. An increase in the yields would results in a fair value decrease.

Investment properties are valued on a highest and best use basis.

31.11 Borrowings from banks and long term loans

Borrowings from banks have been advanced on a non-recourse basis. The fair value borrowings is therefore determined to be the carrying amount, the value of which is limited to the recourse on the related property asset.

31 Fair value disclosures (continued)

31.12 Transfers between Level 1 and Level 2 of the fair value hierarchy

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

31.13 Reconciliation of balances in Level 3 of the fair value hierarchy

A reconciliation of the opening to closing balances in Level 3 fair value hierarchy is shown in the table below:

	Consolidated		
	Financial assets held at fair value through profit and loss €'000	Investment property €'000	Total €'000
Balance at 1 January 2017	70,757	67,548	138,305
Additions on subsidiary acquisition	-	-	-
Transfers into Level 3	-	-	-
Transfers out of level 3	-	-	-
Total gains or losses:-			
- in profit or loss	-	-	-
- in liabilities to policyholders	(1,105)	(1,542)	(2,647)
Additions	-	-	-
Disposals/transfers to third parties	(8,361)	(41,935)	(50,296)
Balance at 31 December 2017	**61,291**	**24,071**	**85,362**

	Company	
	Investment in subsidiaries €'000	Total €'000
Balance at 1 January 2017	20,882	20,882
Additions on subsidiary acquisition	-	-
Transfers into Level 3	-	-
Transfers out of level 3	-	-
Total gains or losses:-		
- in profit or loss	(13,168)	(13,168)
- in liabilities to policyholders		-
Additions	-	-
Disposals/transfers to third parties	-	-
Balance at 31 December 2017	**7,714**	**7,714**

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

32 Related party transactions

Transactions with group companies

The Group undertakes transactions with related parties in the normal course of business. Most related parties represent entities within the scope of the Group and as such the transactions eliminate on consolidation. The table below shows related party transactions that took place during the financial year that do not eliminate on consolidation.

	Income earned €'000	**Expenses incurred €'000**	**Payable at year end €'000**	**Receivable at year end €'000**
Utmost Services Limited	-	-	-	76
Utmost Administration Limited	522	-	-	-
Total	**522**	**-**	**-**	**76**

LCCG Holdings (No 1) Limited bears the administrative expenses of Life Company Consolidation Group Limited, LCCG Holdings (No 2) Limited and LCCG Holdings (No 3) Limited.

During the financial year LCCG Holdings (No 1) Limited issued new preference shares at a premium for a total of €2,400,000.

USIL provides policy administration and other management services to life assurance entities within the Utmost Holdings Ireland Limited ("UHIL") Group. Managed Service agreements are in place with details of the charging structure between the entities. USIL also recharges the entities with a portion of Non-Executive Directors fees. These transactions and year end balances eliminate on consolidation.

During the financial year UHIL repaid €2,000,000 of loan principal to LCCG UK Limited, reducing the overall loan facility to €28m (2016: €30m). The amortised cost of the loan at 31 December 2017 was €24.022m (2016: €25.083m). These transactions and year end balances eliminate on consolidation.

Transactions with key management personnel

Key management personnel comprise persons who, at any time during the financial year ended 31 December 2017, were members of the Board of Directors and certain members of management.

Two directors Paul Thompson and Ian Maidens have equity interests in certain parent company entities. (See note 37).

Key management compensation for the Company for the year includes salaries and short term benefits of €1,275k (2016: €845k) paid to Paul Thompson and Ian Maidens as detailed in note 6. Neither director received any post-employment benefits.

33 Immediate parent and ultimate controlling party

The immediate and ultimate parent company which maintains a majority controlling interest in the group is recognised by the directors as OCM LCCG Holdings Limited, a Cayman Island incorporated entity. OCM LCCG Holdings Limited is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management L.P.

34 Provisions, contingent liabilities and commitments

In the normal course of the Group's business, litigation and disputes arise from time to time. The Group has a policy of active management and rigorous defence of legal claims and there are procedures in place to ensure oversight by the Board of Directors.

The Company is continually undertaking reviews of its tax and regulatory activities across the various jurisdictions in which it has invested into. These reviews are on-going and it is not possible at this stage to give an indication as to whether they will result in any additional liabilities.

35 Directors' and Secretary's interests

At 31 December 2017 the Directors and Secretary in office, and their spouses and minor children, had no beneficial interests in the shares of the Company. The directors' interests in the parent and group entities as at 31 December 2016 and as at 31 December 2016 are detailed below:

As at 31 December 2017		Andrew Paul Thompson	Ian Graham Maidens
Life Company Consolidation Group Limited	A ordinary shares	1,345	1,345
Life Company Consolidation Group Limited	B ordinary shares	6,875	6,875
LCCG Holdings (No 1) Limited	Preference shares	1,195,038	1,195,038
LCCG Holdings (No 1) Limited	S shares	50	50
As at 31 December 2016			
Life Company Consolidation Group Limited	A ordinary shares	1,181	1,181
Life Company Consolidation Group Limited	B ordinary shares	6,250	6,250
LCCG Holdings (No 1) Limited	Preference shares	1,121,850	1,121,850
LCCG Holdings (No 1) Limited	S shares	50	50

36 Prior year restatement

36.1 Consolidation

The prior period results have been restated to attribute total comprehensive income between the owners of the parent company and non-controlling interests, in accordance with IFRS 10 "Consolidated financial statements". This restatement has no effect on the total comprehensive income or total equity reported in the prior period.

	As previously reported €'000	Restated 2016 €'000	Impact 2016 €'000
Consolidated Statement of Comprehensive Income			
Comprehensive income attributed to non-controlling interest	(27)	5,300	5,327
Comprehensive income attributed to owners of the parent company	(1,545)	(6,871)	(5,326)
Net impact on total comprehensive income for the year	**(1,572)**	**(1,571)**	**1**
Consolidated Statement of Financial Position			
31 December 2016			
Total non-controlling interests	83,359	91,051	7,692
Equity attributable to owners of the parent company	20,912	13,220	(7,692)
Net impact on total equity	**104,271**	**104,271**	**-**

The opening balances relating to retained earnings and non-controlling interest have also been restated in the Statement of Changes in Equity as the reallocation detailed above also partly relates to the year ended 31 December 2015.

36.2 Company

The 2016 comparative results for the Company have also been restated to reflect the additional amount attributable to the non-controlling interest which inversely effects the fair value of the investment in subsidiary. The effect of the adjustment is detailed below:

	As previously reported €'000	Restated 2016 €'000	Impact 2016 €'000
Statement of Comprehensive Income			
Other operating expenses	(1,468)	(9,159)	(7,691)
Total operating expenses	**(1,468)**	**(9,159)**	**(7,691)**
Statement of Financial Position			
Other assets	29	29	-
Investment in subsidiary undertaking	20,882	13,191	(7,691)
Net impact net asset value	20,911	13,220	(7,691)
Retained earnings	20,774	13,083	(7,691)
Share capital	137	137	-
Net impact on shareholders' funds	20,911	13,220	(7,691)

37 Events after the year end date

37.1 Post year-end acquisitions

On 18 December 2017, the Group announced its intention to acquire Generali PanEurope dac ("GPE"). The Group completed its acquisition of GPE on 19 June 2018, following regulatory approval from the Central Bank of Ireland. GPE is a life insurance company located in Ireland providing sophisticated wealth management, savings, investment and employee benefit solutions to individual and corporate clients across Europe. Total policyholder assets are currently around €11 billion.

The wholly owned subsidiary, Utmost Ireland dac, announced on 9 April 2018 its intention to acquire Aegon Ireland plc's international investment bond business. The acquisition of this portfolio of international bond business will be effected through a Section 13 Scheme of Transfer subject to the sanction of the High Court of Ireland, following which all policies would transfer to UI. A number of employees will also transfer to the Group on completion of the scheme. The acquisition of this portfolio is expected to be completed by the end of 2018.

On 15 June 2018, the Group announced that it has signed an agreement with The Equitable Life Assurance Society (‘Equitable Life’) under which it is proposed that Equitable Life and all of its business transfer to Reliance Life Limited. The proposed transaction remains subject to member, regulatory and Court approvals, and is expected to complete towards the end of 2019.

37.2 Group restructuring

As part of a wider restructuring of the Group structure, three new entities have been incorporated post year-end as follows. On 18 January 2018, LCCG Holdings (No 7) Limited, a wholly owned direct subsidiary of the Company, and LCCG Holdings (No 8) Limited, wholly owned by LCCG Holdings (No 7) Limited; and on 22 January 2018 LCCG UK (RL) Limited, wholly owned by LCCG Holdings (No 8) Limited, incorporated as a UK entity.

On 22 March 2018, the entire share capital of RL Holdings Limited was sold by LCCG UK Holdings Limited to LCCG UK (RL) Limited for £4,010,000. RL Holdings Limited (renamed to Reliance Life Holdings Limited on 23 March 2018) is the holding company for Reliance Life Limited, an insurance entity into which the transfer of Reliance Mutual business completed on 1 April 2018.

On 13 June 2018, the entire share capital of LCCG Holdings (No 2) Limited was sold by LCCG Holdings (No 1) Limited to LCCG Holdings (No 4) Limited for €80.96m. LCCG Holdings (No 4) Limited is an indirect subsidiary of Life Company Consolidation Group (No 2) Limited, a company analogous to Life Company Consolidation Group Limited specialising in the acquisition and consolidation of life assurance businesses.

The overall impact of these restructuring steps is that, with effect from 13 June 2018 the Group no longer includes the Irish business, but does now include the business transferred from Reliance Mutual on 1 April 2018.