Life Company Consolidation Group (No 2) Limited

Annual Report and
Consolidated Financial Statements

For the year ended 31 December 2017

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For the year ended 31 December 2017

Contents

Life Company Consolidation Group (No 2) Limited

Company Information

For the year ended 31 December 2017

Directors
Paul Thompson
Ian Maidens
Christopher Boehringer
Harry Smith

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

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

Registered in Guernsey
Company Number
61516

Independent Auditor
PricewaterhouseCoopers LLC
Sixty Circular Road
Douglas
Isle of Man
IM1 1SA

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

Life Company Consolidation Group (No 2) 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 (No 2) Limited (the "Company") is a private company incorporated in Guernsey within the meaning of section 2(1)(a) of the Companies (Guernsey) Law, 2008. The Company was incorporated on 13 January 2016. The Group comprises the Company and its direct subsidiary LCCG Holdings (No 4) Limited, together with underlying subsidiary entities LCCG Holdings (No 5) Limited, LCCG Holdings (No 6) Limited, LCCG UK Holdings Limited and its subsidiaries and Utmost Holdings Limited and its subsidiaries (together the "Group").

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

Going concern
The Directors of the Company have determined that it 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 and also considered the basis on which the financial statements were prepared. 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 7. The Directors do not recommend the payment of a dividend.

On 21 October 2016 the Group acquired, via its subsidiary Utmost Holdings Limited, the entire issued share capital of AXA Isle of Man Limited. Following the change of ownership, AXA Isle of Man Limited was renamed as Utmost Limited. The principal activity of Utmost Limited is the writing of long term assurance business which is classified as investment contracts under IFRS 4. On the same date Utmost Holdings Limited acquired the entire issued share capital of four related AXA Isle of Man companies. These companies all support the activity of Utmost Limited and details of the companies acquired are set out in the notes to the financial statements.

Events after the year end
As detailed in note 39 to the financial statements, on 6 February 2017 it was announced that the Group had signed an agreement with Reliance Mutual Insurance Society Limited ("Reliance Mutual") under which it is proposed that Reliance Mutual would be demutualised and all of its business transferred to the Group. The proposed transaction has received Reliance Mutual member approval, and received High Court approval on 15 March 2018 and is expected to complete on 1 April 2018.

The share capital of RL Holdings Limited, into which the transfer of Reliance Mutual business is to take place, was sold by LCCG UK Holdings Limited on 22 March 2018 to LCCG UK (RL) Limited for £4,010,000. LCCG UK (RL) Limited is an indirect subsidiary of the Life Company Consolidation Group Limited, a company analogous to Life Company Consolidation Group (No 2) Limited specialising in the acquisition and consolidation of life assurance businesses.

On 23 March 2018, RL Holdings Limited was renamed Reliance Life Holdings Limited, LCCG New Lifeco Limited was renamed as Reliance Life Limited, and LCCG New Servco Limited was renamed as Reliance Life Services Limited.

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 37 to the financial statements.

Life Company Consolidation Group (No 2) Limited

Directors' report (continued)

For the year ended 31 December 2017

Directors' responsibilities for the financial statements
The Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union, of the state of affairs of the Company and the Group, and of the profit or loss of the Company and the Group for that period. 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.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to Auditor
The Directors who held office at the date of approval of this director's report confirm that, so far as each are aware, there is no relevent audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor
PricewaterhouseCoopers LLC has indicated its willingness to continue in office.

For and on behalf of the Board of Directors:

Director	Director
27/3/18	27/3/18
Date	Date

Independent Auditor's Report to the Members of Life Company Consolidation Group (No 2) Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Life Company Consolidation Group (No 2) Limited's consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its loss and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;

- Life Company Consolidation Group (No 2) Limited's Company financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and

- the financial statements have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

Life Company Consolidation Group (No 2) Limited's consolidated and company financial statements (the "financial statements") comprise:

- the consolidated and company statements of financial position as at 31 December 2017;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and 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 identified above 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of Life Company Consolidation Group (No 2) Limited (continued)

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law 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 and Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company’s financial reporting process.

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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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, we exercise professional judgement 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's and Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 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 our auditor’s report. However, future events or conditions may cause the Group and Company 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 entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our 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 we identify during our audit.

Independent Auditor's Report to the Members of Life Company Consolidation Group (No 2) Limited (continued)

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
27 March 2018

Life Company Consolidation Group (No 2) Limited

Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	Consolidated 01 Jan 17 to 31 Dec 17 £'000	Restated Consolidated 13 Jan 16 to 31 Dec 16 £'000	Company 01 Jan 17 to 31 Dec 17 £'000	Restated Company 13 Jan 16 to 31 Dec 16 £'000
Revenue					
Fees and charges receivable	5	**41,064**	8,088	**-**	-
Commissions, fees and rebate income	6	**5,570**	769	**-**	-
Other income	7	**1,552**	350	**-**	-
		48,186	9,207	**-**	-
Investment return					
Investment income		**45,913**	3,405	**-**	-
Gains on investments	8	**759,523**	101,451	**-**	-
		805,436	104,856	**-**	-
Changes in technical provisions for investment contract liabilities		**(805,251)**	(104,816)	-	**-**
Commission and expenses					
Origination costs	9	**456**	62	**-**	-
Fees and expenses	10	**(33,839)**	(8,070)	**-**	-
Amortisation of acquired in-force business	13	**(18,243)**	(3,998)	**-**	-
		(51,626)	(12,006)	**-**	-
Gain arising on bargain purchase	4	**-**	72,719	**-**	-
(Loss) / profit for the year / period before interest and tax		**(3,255)**	**69,960**	**-**	**-**
Finance costs	11	**(3,553)**	(742)	**-**	-
Tax charge	12	**-**	-	**-**	-
(Loss) / profit for the year / period after interest and tax		**(6,808)**	**69,218**	**-**	**-**
Other comprehensive income					
Other items of comprehensive income		**-**	-	**-**	-
Total comprehensive (loss) / income for the year / period		**(6,808)**	**69,218**	**-**	**-**
Profit/ (loss) for the financial year / period attributable to:					
Non Controlling interest		9,237	1,854	-	-
Owners of the parent company		(16,045)	67,364	-	-
		(6,808)	**69,218**	**-**	**-**

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

The notes on pages 11 to 43 form an integral part of these financial statements.

Life Company Consolidation Group (No 2) Limited

Statement of Financial Position

As at 31 December 2017

	Notes	Restated Consolidated 2017 £'000	2016 £'000	Restated Company 2017 £'000	2016 £'000
Intangible assets					
Acquired in-force business	13	**156,650**	174,893	-	-
Intangible fixed assets - software	14	**81**	122	-	-
Deferred origination costs	15	**3,044**	1,058	-	-
Assets					
Investments in subsidiaries	16	-	-	**95**	95
Property, plant and equipment	17	**353**	500	-	-
Financial investments					
Assets held to cover linked liabilities	18	**9,705,040**	9,283,464	-	-
Modified Coinsurance Account	19	**777,232**	796,863	-	-
Other investments	20	**10,181**	-	-	-
Debtors and other receivables	21	**14,356**	19,844	-	-
Deposits		**46,383**	48,557		
Cash and cash equivalents	22	**61,226**	57,915	**15**	5
TOTAL ASSETS		**10,774,546**	**10,383,216**	**110**	**100**
Liabilities					
Technical provisions for linked liabilities	23	**10,491,800**	10,097,167	-	-
Deferred front end fees	24	**1,607**	661	-	-
Amounts due to investment contract holders	25	**12,558**	16,185	-	-
Borrowings from banks	26	**73,152**	78,917	-	-
Creditors and other payables	27	**14,009**	8,068	-	-
Total liabilities		**10,593,126**	**10,200,998**	-	-
Capital and reserves					
Called up share capital presented as equity	28	**110**	100	**110**	100
Retained earnings		**51,319**	67,364	-	-
Equity attributable to owners of the parent company		**51,429**	67,464	**110**	100
Non controlling interest	29	**129,991**	114,754	-	-
Total equity		**181,420**	**182,218**	**110**	**100**
TOTAL EQUITY AND LIABILITIES		**10,774,546**	**10,383,216**	**110**	**100**

The financial statements on pages 7 to 43 were approved and authorised for issue by the Board of Directors on 27 March 2018 and signed on its behalf by:

Director

Director

The notes on pages 11 to 43 form an integral part of these financial statements.

Life Company Consolidation Group (No 2) Limited

Statement of Changes in Equity

For the year ended 31 December 2017

	Notes	Called up share capital presented as equity £'000	Retained earnings £'000	Non controlling interest £'000	Total £'000
CONSOLIDATED					
Balance as at 13 January 2016		-	-	-	-
Total comprehensive income for the period - restated		-	67,364	1,854	69,218
Share capital issued during the financial period		100	-	-	100
Share premium received in the financial period	29	-	-	112,900	112,900
Balance as at 31 December 2016 - restated		**100**	**67,364**	**114,754**	**182,218**
Total comprehensive (loss) / income for the year		-	(16,045)	9,237	(6,808)
Share capital issued during the year	28	10	-	-	10
Share premium received in the year	29	-	-	6,000	6,000
Balance as at 31 December 2017		**110**	**51,319**	**129,991**	**181,420**

	Notes	Called up share capital presented as equity £'000	Retained earnings £'000	Total £'000
COMPANY				
Balance as at 13 January 2016		-	-	-
Total comprehensive income for the period - restated		-	-	-
Share capital issued during the financial period		100	-	100
Balance as at 31 December 2016 - restated		**100**	**-**	**100**
Total comprehensive income for the year		-	-	-
Share capital issued during the financial year	28	10	-	10
Balance as at 31 December 2017		**110**	**-**	**110**

The notes on pages 11 to 43 form an integral part of these financial statements.

Life Company Consolidation Group (No 2) Limited

Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Consolidated		Company	
		01 Jan 17 to 31 Dec 17 £'000	13 Jan 16 to 31 Dec 16 £'000	01 Jan 17 to 31 Dec 17 £'000	13 Jan 16 to 31 Dec 16 £'000
Net cash flows from / (used) in operating activities	30	**13,696**	(1,501)	**-**	-
Cash flows from investing activities					
Acquisition of subsidiaries - net cash		-	(131,770)	-	(95)
Acquisition of property, plant and equipment		(111)	(29)	-	-
Acquisition of intangible fixed assets		(16)	-	-	-
Proceeds on disposals of property, plant and equipment		93	40	-	-
Acquisition of investments		(10,361)	-	-	-
Net cash used in investing activities		**(10,395)**	(131,759)	**-**	(95)
Cash flows from financing activities					
Issue of share capital		10	100	10	100
Share premium		6,000	112,900	-	-
Borrowings from banks (net of arrangement fee)		-	78,175	-	-
Repayment of bank borrowings		(6,000)	-	-	-
Net cash flows from financing activities		**10**	191,175	**10**	100
Net increase in cash and cash equivalents		3,311	57,915	10	5
Cash and cash equivalents at the beginning of the year / period		57,915	-	5	-
Cash and cash equivalents at the end of the financial year / period		**61,226**	**57,915**	**15**	**5**

The notes on pages 11 to 43 form an integral part of these financial statements.

1 General information

The principal activity of Life Company Consolidation Group (No 2) Limited (the "Company") is investment holding and of its subsidiaries (together, the "Group") is the writing of long term assurance business which is classified as investment contracts because of the absence of significant insurance risk associated with underlying policies. These contracts are primarily written into the UK, Hong Kong and Singapore with Singapore being written under modified coinsurance arrangements. The Company is a private company incorporated in Guernsey within the meaning of section 2(1)(a) of the Companies (Guernsey) Law, 2008 and was incorporated on 13 January 2016. The address of the Company's registered office is 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

2 Significant Accounting Policies

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

2.1 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 Company 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. The consolidated and Company financial statements are presented in Pounds Sterling, rounded to the nearest thousand.

2.1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings detailed in note 4. 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. The consideration transferred for the acquisition of subsidiary undertakings is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The excess of the consideration transferred and amount of any non controlling interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income as a bargain purchase.

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.

2.1.2 Going concern

At the time of preparing and approving the financial statements, the Directors have a reasonable expectation that the Company and Group have sufficient resources to continue in operational existence for the foreseeable future. The Company and Group therefore continues to adopt the going concern basis in preparing its individual and consolidated financial statements.

2 Significant Accounting Policies (continued)

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

The Company and Group's presentational and functional currency is Pounds Sterling, being the primary economic environment in which the Company and Group operate.

2.2.2 Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the presentational currency rate of exchange ruling at the period end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions; those held at fair value are translated using the rate ruling at the date on which fair value was determined.

2.3 Financial assets and financial liabilities

2.3.1 Classification

Financial assets are classified into the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial liabilities are classified into the following categories: at fair value through profit or loss or trade and other payables. Management determines the classification of its financial liabilities at initial recognition.

2.3.1.1 Financial assets and financial liabilities at fair value through profit or loss

The decision to classify financial investments at fair value through profit or loss reflects the fact that the investment portfolio is managed, and its performance evaluated, on a fair value basis.

The decision to designate unit linked liabilities at fair value through profit or loss reflects the fact that the liabilities are calculated with reference to the value of the underlying assets.

2.3.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise "Debtors and other receivables", "Deposits" and "Cash and cash equivalents" in the statement of financial position.

2.3.1.3 Loans and other payables

Loans and other payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. The Group's loans and other payables comprise "Borrowings from banks", "Amounts due to investment contract holders", and "Creditors and other payables" in the statement of financial position.

2 Significant Accounting Policies (continued)

2.3.2 Recognition and measurement

2.3.2.1 Financial assets and financial liabilities at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. The Group recognises purchases and sales of investments on a trade date basis. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Fixed interest securities, ordinary shares and funds, which principally comprise collective investment schemes, are valued at their fair value at the period end. Investments in collective investment schemes and certain other unquoted securities are valued at the latest available net asset valuation provided by the administrators or managers of the funds or companies, unless the Directors are aware of good reasons why such valuations would not be the most appropriate or indicative of fair value. The assets which are invested in the with profits funds managed by Aviva Group are held at the valuation provided by Aviva of the Group's share of assets in the with profit funds at 31 December 2017.

Fair value of quoted investments in an active market is the bid price, for investments in unit trusts and other pooled funds it is the bid price quoted on the last day of the accounting period on which the investments in such funds could be redeemed. If the market for a financial investment is not active, the fair value is determined by using valuation techniques. For these investments, the fair value is established by using quotations from independent third parties, such as brokers or pricing services or by using internally developed pricing models. Priority is given to publicly available prices, when available, but overall the source of pricing and valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Valuation techniques used include the use of recent arm's length transactions and reference to the current fair value of other instruments that are substantially the same.

Discretionary portfolios are carried at the period end using the latest valuation from the discretionary fund manager that is available to the Group. Due to the unit linked nature of the portfolios any adjustment to the relevant financial investments values would be offset by a matching adjustment in the financial liabilities under investment contracts balance. The Group has used the same valuation as that for the statements prepared for clients as this represents the consistent practice of the Group in valuing and is considered most appropriate.

Financial liabilities carried at fair value are valued by reference to the underlying financial assets at fair value through profit or loss, as described above.

2.3.2.2 Loans and receivables

Loans and receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

2.3.2.3 Loans and other payables

Borrowings are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

Other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.3.3 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 currently 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 Company or Group.

2 Significant Accounting Policies (continued)

2.4 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 cost less impairment.

2.5 Impairments

For financial assets (other than those at fair value) an impairment loss is recognised if the present value of the estimated future cash flows (discounted at the financial assets original effective interest rate) arising from the asset is lower than the asset's carrying value. For financial assets (other than those at fair value) an impairment loss is reversed if there is a decrease in the impairment that can be related objectively to an event occurring after the impairment was recognised.

For non-financial assets, an impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Assets that are subject to ammortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. For the purpose of assessing the impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed only to the extent that after the reversal, the asset's carrying amount is no greater than the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Investment return

All gains and losses arising from changes in the fair value of financial investments, realised or unrealised, are recognised within “Gains / (losses) on investments” in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses represent the difference between the valuation of the investments and their original cost. Realised gains and losses are calculated as net sales proceeds less purchase costs. Purchase costs are calculated on a weighted average basis. Movements in unrealised gains and losses include the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Income generated from financial investments, including investment income from bank deposits and fixed or floating interest bearing bonds and stocks, is recognised within “Investment income” in the statement of comprehensive income using the effective interest method.

Dividends receivable for investments held within unit linked funds managed by the Group, are accrued on the ex-dividend date. All other dividends, including distributions from collective investments, are accounted for as received as this is when the income can be measured reliably. The Group has not accrued all dividends on their ex-dividend date due to the lack of consistent and timely information as to the value at the period end. Based on management judgement the impact of adopting this approach is not significant.

The attributable investment income and net gains or loss on investments due or payable under the agreement with AXA China Region or AXA Life Singapore is due or payable simultaneously with the underlying contracts reassured which are recognised at the same point as for the Utmost Limited contract.

2 Significant Accounting Policies (continued)

2.7 Commissions receivable

Commissions receivable arising from with profit bond investments and where commissions from investments in AXA funds are provided for on an accruals basis are both accounted for on an accruals basis. Other inward commissions and rebates are accounted for on a receipts basis net of any amounts directly attributable to policies as this is when the income can be measured reliably.

2.8 Expenses

2.8.1 Finance costs
Interest payable is recognised in the statement of comprehensive income as it accrues and is calculated by using the effective interest method. Finance arrangement fees are capitalised and amortised over the term of the loan.

2.8.2 Other expenses
All other expenses, including investment management expenses, are accounted for on an accruals basis.

2.9 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classed as operating leases and lease costs are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.10 Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

2.11 Financial liabilities under investment contracts

Investment contracts consist of unit linked contracts written by the Group. Unit linked liabilities are measured at fair value by reference to the value of the underlying net asset value of the underlying assets at the period end. The decision by the Group to designate its unit linked liabilities at fair value through profit or loss reflects the fact that the liabilities are calculated with reference to the value of the underlying assets.

Liabilities under unit linked contracts are recognised as and when units are created and are dependent on the value of the underlying financial assets. On existing business, a liability is recognised at the point the premium falls due.

Investment contract premiums are not included in the statement of comprehensive income but are recognised as deposits to investment contracts and are included in financial liabilities in the statement of financial position. Withdrawals from investment contracts and other benefits paid are not included in the statement of comprehensive income but are deducted from financial liabilities under investment contracts in the statement of financial position. Benefits are deducted from financial liabilities and transferred to amounts due to investment contract holders on the basis of notifications received, when the benefit falls due for payment or, on the earlier of the date when paid or when the contract ceases to be included within those liabilities.

2 Significant Accounting Policies (continued)

2.12 Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. The costs of property, plant and equipment are depreciated over their expected useful lives on a straight line basis as follows:

Computer and office equipment	20% - 50%
Motor vehicles	15% - 35%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.13 Intangible fixed assets - software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not subsequently recognised as an asset in a subsequent period.

Capitalised computer software is stated at cost less amortisation and is amortised over three to five years.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.15 Deposits

Fixed deposits held with banks with original maturities in excess of three months are included in deposits. These are valued at their carrying value or estimated using discounted cash flow techniques using the market rate for similar instruments.

2 Significant Accounting Policies (continued)

2.16 Fees and charges and deferred front end fees

Fees are charged to the contract holders of investment contracts for contract administration services, investment management services, payment of benefits and other services related to the administration of investment contracts. Fees are recognised as revenue as the services are provided.

Initial and establishment fees that exceed the level of recurring fees and relate to the future provision of services are deferred, to the extent the Group defers sales incentives and adviser fees, in the statement of financial position and amortised in line with the projected payment of fees. These fees are accounted for on the issue of a contract and on receipt of incremental premiums on existing single premium contracts.

Regular fees charged to contracts are recognised on a straight-line basis over the period in which the service is provided. Transactional fees are recorded when the required action is complete.

2.17 Renewal commission and advisor fees

Advisor fees and renewal commission charges are charged to the contract holders of investment contracts for services related to administration and investment services. These fees form part of the on-going fees paid to intermediaries and advisors. The fees charged to the investment contracts and the fees payable to the intermediaries are recognised as revenue and expenses respectively as the services are provided and the fees fall due for payment.

Regular fees charged to contracts are recognised on a straight-line basis over the period in which the service is provided. Transactional fees are recorded when the required action is complete.

2.18 Fund administration fees

Fund administration fees are charged on the internal funds available to investment contract holders. The fees are based on the value of the fund and accrue daily within the fund price. The accrued fees crystallise monthly and are deducted from the fund. These fees form part of the on-going fund charge.

2.19 Trustee fees

Trust Establishment fees are recognised as income and become due on the establishment of the Trust and issue of any underlying insurance policy. Annual fees are payable in advance and are recognised as income at the point they become due. Termination fees are recognised as income on the completion of the termination. Administration fees are accounted for on an accruals basis, in relation to a monthly service charge for services incurred through a Third Party Agreement.

2 Significant Accounting Policies (continued)

2.20 Origination costs and deferred origination costs

Origination costs include commissions, intermediary incentives, sales and marketing allowance payable to fellow Group companies and incentives payable to the Group's sales force. Incremental costs that are directly attributable to securing unit linked investment contracts, and are expected to be recoverable, are deferred and recognised in the statement of financial position as deferred origination costs. Origination costs that do not meet the criteria for deferral are expensed as incurred.

Deferred origination costs are amortised in line with the projected payment of fees, allowing for the expected level of surrenders. The amortisation of deferred origination costs is charged to the statement of comprehensive income within the origination costs line.

Reviews to assess the recoverability of deferred origination costs on investment contracts are carried out at each period end date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the statement of comprehensive income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

2.21 Modified Coinsurance Account - see note 19

Under the modified coinsurance arrangement, the statutory reserve on the ceded business is the obligation of, and held by, the ceding company. The Group remains at risk of loss from lapse and surrenders.

The amounts contractually withheld and legally owned by the cedant in the form of assets equal to the reserve are reflected in the Modified Coinsurance Account. Premiums, claims arising and policy charges under this arrangement are included within the "Changes in provisions for investment contract liabilities" in the statement of comprehensive income and within the "Modified Coinsurance Account" in the statement of financial position. The investment return attributable to the assets held under the Modified Coinsurance arrangement is included within "Investment income" or "Gains on investments" in the statement of comprehensive income.

2.22 Goodwill, Intangible assets and acquired value of in-force policies ('VIF')

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Negative goodwill arises when the purchase consideration is less than the fair values of the identifiable assets and liabilities.

In accordance with IFRS 10, positive goodwill is recognised as an intangible asset in the statement of financial position. Negative goodwill, a bargain purchase gain, is recognised immediately in the statement of comprehensive income.

An intangible asset may be acquired in a business combination. If an intangible asset is acquired in a business combination, the cost of the asset is specified by IAS38 (in accordance with IFRS3) to be its fair value on the date of acquisition. The fact that a price can be established for an intangible asset which is acquired in a business combination is accepted as evidence that future economic benefits are expected to accrue to the entity.

The present value of future profits on a portfolio of long-term insurance and investment contracts, representing the value of in force policies ('VIF'), acquired directly or through the purchase of a subsidiary, is recognised as an intangible asset. The VIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the value of in-force business acquired and the expected depletion in its value.

2 Significant Accounting Policies (continued)

2.22 Goodwill, Intangible assets and acquired value of in-force policies ('VIF') (continued)

Acquired VIF is recognised, amortised and tested for impairment by reference to the present value of estimated future profits. Significant estimates include forecast cash flows and discount rates.

2.23 Taxation

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.

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in previous periods.

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.

2.24 Share Capital

Ordinary shares are classified as equity.

2.25 New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the year beginning on or after 1 January 2017 have had a material impact on the Company or Group.

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 (effective 1 Jan 2018).
- IFRS 15 Revenue from Contracts with Customers (effective 1 Jan 2018).
- 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.

The Directors are of the opinion that the adoption of the above standards is not expected to have a significant impact.

3 Critical accounting estimates and judgements

The reported results of the Company and Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Guernsey company law and IFRS as adopted by the European Union require the Directors, in preparing the Company and 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 Company and 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 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 Company and Group could affect its reported results.

3.1 Origination costs and amortisation of deferred origination costs

Expenses have been reviewed to determine the relationship of these expenses to the issuance of an investment contract. Expenses which relate to the origination of a contract are deferred. Other expenses are written off as incurred.

Deferred origination costs consist of sales incentives to the UK Sales team and initial commission payable on new policies which are amortised in line with the projected payment of fees.

3.2 Amortisation of deferred front end fees

Deferred front end fees are amortised on the same basis as deferred origination costs above. Deferred front end fees consist of establishment fees receivable in the year together with a portion of initial fees receivable.

3.3 Recoverability of deferred origination costs

Deferred origination costs are tested annually, at Group level, for recoverability by comparing embedded value to the value of deferred origination costs.

3.4 Recoverability of acquired in-force business

Acquired VIF is recognised, amortised and tested for impairment by reference to the present value of estimated future profits. Significant estimates include forecast expenses, charges, persistency rates, guarantee costs and discount rates.

3.5 Classification of financial investments

The Group has elected to treat all financial investments backing its investment contracts as being at fair value through profit and loss although some of the assets may in fact be held to maturity depending on the decisions and requirements of individual policyholders.

3.6 Fair value assessment of investments

Where the Directors determine that there is no active market for a particular financial investment, fair value is assessed using valuation techniques based on available relevant information and an appraisal of all associated risks. In some cases the fair value is assessed as nil even though a price may be available publicly.

4 Subsidiaries

The consolidated financial statements include the following subsidiaries:

Subsidiary	Date of acquisition	Registered address / business address	Nature of business	Shares held
LCCG Holdings (No 4) Limited	13 Jan 16 (incorporation date)	1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port, Guernsey	Investment holding	100% of issued ordinary share capital
LCCG Holdings (No 5) Limited *	15 Jan 16 (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 6) Limited *	13 Jan 16 (incorporation date)	1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port, Guernsey	Investment holding	100% of issued share capital

4 Subsidiaries (continued)

LCCG UK Holdings Limited *	15 Jan 16 (incorporation date)	Devonshire House 1 Devonshire Street London	Investment holding	100% of issued share capital
LCCG New Lifeco Limited *	12 Jan 17 (incorporation date)	Devonshire House 1 Devonshire Street London	Writing long term assurance business	100% of issued share capital
LCCG New Serveco Limited *	12 Jan 17 (incorporation date)	Devonshire House 1 Devonshire Street London	Management and administration services	100% of issued share capital
RL Holdings Limited *	10 Jan 17 (incorporation date)	Devonshire House 1 Devonshire Street London	Investment holding	100% of issued share capital
Utmost Holdings Limited *	13 Apr 16 (incorporation date)	Royalty House Walpole Avenue Douglas, Isle of Man	Investment holding	100% of issued share capital
Utmost Limited *	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Writing long term assurance business	100% of issued share capital
Utmost Services Limited *	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Management and administration services	100% of issued share capital
Utmost Trustee Solutions Limited *	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Provision of trustee services	100% of issued share capital
Utmost Administration Limited *	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Third party administration services	100% of issued share capital
Utmost Partnerships Limited *	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Dormant company	100% of issued share capital

* Indirect subsidiaries of the company

4 Subsidiaries (continued)

Below is an analysis of the fair value of the net assets of the acquired subsidiaries during 2016, the consideration paid and the intangible assets arising from these acquisitions.

	£'000
Assets	
Fixed assets	654
Assets held to cover linked liabilities	9,203,547
Modified coinsurance account	938,037
Deposits and loans	52,627
Cash and cash equivalents	51,287
Other assets	24,553
Total assets	**10,270,705**
Liabilities	
Liabilities under investment contracts	10,161,765
Other liabilities	32,055
Total liabilities	**10,193,820**
Fair value of Net Identifiable Assets acquired	**76,885**
Value of in-force policies ('VIF')	178,891
Fair Value of Net Assets acquired including VIF	**255,776**
Consideration paid	183,057
Gain arising on bargain purchase	**72,719**

This business combination resulted in a bargain purchase because the fair value of the assets acquired, including the value of in-force policies, and liabilities assumed exceeded the total of the fair value of consideration paid.

Post-acquisition income of £9.2m and profits of £1.8m are included in the statement of comprehensive income. Total revenue and profit for the financial period were £71.5m and £21.6m respectively.

5 Fees and charges receivable

	Consolidated	
	01 Jan 17 to 31 Dec 17 £'000	**13 Jan 16 to 31 Dec 16 £'000**
Contract fee income	**22,448**	5,106
Deferred front end fees net movement (note 23)	**(946)**	(661)
Other – including renewal commission and advisor fee deductions	**13,121**	2,560
Policyholder charges	**34,623**	7,005
Other charges	**1,206**	60
Fund management charges	**5,235**	1,023
	41,064	**8,088**

6 Commissions, fees and rebate income

Included within commissions, fees and rebate income arising on investments are:

	Consolidated 01 Jan 17 to 31 Dec 17 £'000	Consolidated 13 Jan 16 to 31 Dec 16 £'000
Commission income	**1,473**	255
Rebates and fees	**3,834**	470
Fees	**263**	44
	5,570	**769**

7 Other income

	Consolidated 01 Jan 17 to 31 Dec 17 £'000	Consolidated 13 Jan 16 to 31 Dec 16 £'000
Bank and deposit interest income	**1,154**	201
Other – including interest charged to policyholders	**398**	149
	1,552	**350**

8 Gains on investments

	Consolidated 01 Jan 17 to 31 Dec 17 £'000	Consolidated 13 Jan 16 to 31 Dec 16 £'000	Restated Company 01 Jan 17 to 31 Dec 17 £'000	Restated Company 13 Jan 16 to 31 Dec 16 £'000
Net gains on realisation of investments	284,928	72,358	-	-
Net movements in unrealised gains	473,041	29,229	-	-
Net foreign exchanges gains / (losses)	1,554	(136)	-	-
	759,523	**101,451**	**-**	**-**

9 Origination costs

	Consolidated 01 Jan 17 to 31 Dec 17 £'000	Consolidated 13 Jan 16 to 31 Dec 16 £'000
Initial commission payable	**1,530**	996
Capitalisation of origination costs	**(2,109)**	(1,077)
Amortisation of deferred origination costs (note 15)	**123**	19
	(456)	**(62)**

Capitalisation of origination costs consists of initial commission payable on new policies and an element of sales incentive costs.

10 Fees and expenses

	Consolidated 01 Jan 17 to 31 Dec 17 £'000	13 Jan 16 to 31 Dec 16 £'000
Staff costs		
Wages and salaries	**6,708**	1,125
Social insurance costs	**1,032**	186
Pension costs - defined contributions	**1,001**	178
Termination costs	**684**	-
Other staff benefits	**1,190**	326
Directors' remuneration	**1,227**	326
	11,842	2,141
Depreciation of property, plant and equipment	**167**	27
Amortisation of intangible assets-software	**57**	9
Auditors' fees	**144**	143
Ongoing commission and advisor fee payable	**14,449**	2,676
Other administrative costs	**7,180**	3,074
Total operating expenses	**33,839**	**8,070**

Administrative expenses of the Company are borne by its subsidiary company LCCG Holdings (No 4) Limited and an underlying subsidiary LCCG Holdings (No 6) Limited as detailed in note 36.

Utmost Services Limited provides management and administration services to the other Utmost companies in the Group. Directors' fees and audit fees are paid by this subsidiary and recovered through a service charge levied on those other Utmost subsidiaries.

Included within other administrative costs is £144,050 (2016:£143,200) payable to the auditors. This consists of statutory auditor's remuneration for the Group for 2017 of £103,450 (2016:£92,000) together with £3,100 (2016:£3,000) for bank covenant reporting and £37,500 (2016:£48,200) for audit of the Market Consistent Embedded Value ("MCEV") financial information of LCCG Holdings (No 5) Limited. In addition fees of £415,000 have been paid to other PWC member firms relating to tax compliance and the acquisition of Reliance Mutual Society.

The financial year's loss before tax is stated after charging directors' remuneration for the Group's directors as follows:

	Directors' salaries £'000	Annual taxable benefits £'000	Total £'000
2017	1,227	-	1,227
2016	326	-	326

11 Finance costs

	Consolidated 01 Jan 17 to 31 Dec 17 £'000	13 Jan 16 to 31 Dec 16 £'000
Bank loan interest	**3,188**	681
Bank loan arrangement fee amortisation	**365**	61
	3,553	**742**

The finance costs arise on financial liabilities measured at amortised cost using the effective interest rate method. The bank loan is detailed in note 26. There are no other gains or losses on these liabilities.

12 Taxation

	Consolidated		Company	
	01 Jan 17 to 31 Dec 17	13 Jan 16 to 31 Dec 16	01 Jan 17 to 31 Dec 17	13 Jan 16 to 31 Dec 16
	£'000	£'000	£'000	£'000
Current taxation	-	-	-	-

The subsidiary companies as detailed in note 4 pay tax at the standard tax rate of each jurisdiction.

Guernsey taxation
The Company and Guernsey subsidiaries pay Guernsey income tax at the standard rate of 0% (2016: 0%).

Isle of Man taxation
On the Isle of Man, with certain exceptions not relevant to the Group, corporate entities are subject to tax at 0% (2016:0%). This rate is not expected to change in the foreseeable future.

UK taxation
One subsidiary, Utmost Services Limited charges an administration fee on the recharge of certain costs arising in the United Kingdom (UK) which it recharges to a fellow subsidiary as detailed in note 10. This is a notional charge in 2017 and an actual charge in 2016. The Group believes that it is liable to UK Corporation tax at 19.25% (2016: 20%) on this administration fee.

The Group can make full use of tax losses available in LCCG UK Holdings Limited. There are sufficient losses available to reduce the current taxation liability to nil.

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		Restated Company	
	01 Jan 17 to 31 Dec 17	13 Jan 16 to 31 Dec 16	01 Jan 17 to 31 Dec 17	13 Jan 16 to 31 Dec 16
	£'000	£'000	£'000	£'000
(Loss) / profit on ordinary activities before taxation	**(6,808)**	69,218	**-**	-
Tax at the Guernsey rate of 0%	**-**	-	**-**	-
Tax at the UK rate of 19.25% (2016: 20%) of administration fee	**37**	11	**-**	-
Tax at the Isle of Man rate of 0%	**-**	-	**-**	-
Group relief on tax losses available	**(37)**	(11)	**-**	-
Tax charge for the financial period	**-**	-	**-**	-

13 Acquired in-force business

	Consolidated 2017 £'000	2016 £'000
Value of in-force policies acquired	**178,891**	178,891
At 31 December	**178,891**	178,891
Accumulated amortisation		
At start of the year/period	**3,998**	-
Charge for the year/period	**18,243**	3,998
At 31 December	**22,241**	3,998
Net book value at 31 December	**156,650**	**174,893**
Current (within 12 months)	**15,534**	18,243
Non-current (after 12 months)	**141,116**	156,650
	156,650	**174,893**

14 Intangible fixed assets - software

	Consolidated 2017 £'000	2016 £'000
Cost		
At 1 January / on acquisition	**131**	-
Additions in year	**16**	131
At 31 December	**147**	131
Amortisation		
At 1 January	**9**	-
Charge for the year / period	**57**	9
At 31 December	**66**	9
Net book value at 31 December	**81**	**122**

15 Deferred origination costs

	Consolidated 2017 £'000	2016 £'000
Origination costs 1 January	**1,058**	-
Origination costs capitalised during the year/period	**2,109**	1,077
Origination costs amortised during the year/period (note 9)	**(123)**	(19)
Origination costs 31 December	**3,044**	**1,058**
Current (within 12 months)	**264**	99
Non-current (after 12 months)	**2,780**	959
	3,044	**1,058**

16 Investments in subsidiary undertakings

	Restated Company 2017 £'000	2016 £'000
At beginning of financial year/period	**95**	**-**
Acquisitions and capital contributions during the financial year/period	-	95
At 31 December	**95**	**95**

17 Property, plant and equipment

	Consolidated		
	Computer and office equipment £'000	Motor vehicles £'000	Total £'000
Period ended 31 December 2016			
Additions on acquisition of subsidiary	283	241	524
Additions		29	29
Disposals	-	(26)	(26)
Depreciation charge	(18)	(9)	(27)
Closing net book value	**265**	**235**	**500**
At 31 December 2016			
Cost or valuation	283	244	527
Accumulated depreciation	(18)	(9)	(27)
Net Book Amount	**265**	**235**	**500**
Period ended 31 December 2017			
Opening net book amount	265	235	500
Additions	41	70	111
Disposals	-	(91)	(91)
Depreciation charge	(116)	(51)	(167)
Closing net book value	**190**	**163**	**353**
At 31 December 2017			
Cost or valuation	324	223	547
Accumulated depreciation	(134)	(60)	(194)
Net Book Amount	**190**	**163**	**353**

18 Assets held to cover linked liabilities

The following financial investments, cash and cash equivalents, other assets and liabilities are held to cover financial liabilities under investment contracts.

Other investments comprise £277,530,000 (2016:£144,394,000) of investments reassured to the Friends Life Assurance Society With Profit Fund and the Friends Life With Profit Fund. These funds were originally invested by the Group in the with profits funds managed by the AXA UK Group. Following the transfer of these funds to those managed by Friends Life, part of the AVIVA Group, the investments are now held under a reassurance contract and are managed by Friends Life as at 31 December 2017. The Group holds a floating charge over the assets of Friends Life as additional security on these investments.

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Fixed interest securities	-	237
Deposits	406,829	490,098
Ordinary shares and funds	3,412,464	3,329,958
Discretionary managed portfolios	5,572,181	5,281,587
Other investments	277,530	144,394
Cash and cash equivalents	36,036	37,190
	9,705,040	**9,283,464**

Included in the analysis above are investments of £13,224,000 (2016:£17,655,000) which have restricted liquidity through suspensions, liquidations or by the nature of assets the fund invests into.

19 Modified coinsurance account

In 2013 Utmost Limited entered into an agreement with AXA Hong Kong (AXA China Region Insurance (Bermuda) Limited) – (CRIB)). Under this agreement the AXA Hong Kong (ACR) book of business migrated from traditional reinsurance to a modified coinsurance (ModCo) arrangement. The main effect of the ModCo arrangement is that the statutory reserve on the ceded business is the obligation of, and held by the ceding company (CRIB) rather than the reinsurer (Utmost Limited). Utmost Limited remains at risk of loss from lapse and surrenders.

On migration the underlying unit linked assets relating to the ACR book of business equal to the reserve were provided to and became the property of CRIB as the ceding insurance company.

In the event of the cedant's insolvency the liability of the reinsurer (Utmost Limited) is limited as the company has the right to offset any claims arising under the arrangement against the assets held by the ceding company.

A new modified coinsurance arrangement similar to the one above was entered into by AXA Life Singapore Limited (ALS) and Utmost Limited in 2015. The terms and conditions under this modified coinsurance arrangement are similar to the agreement with AXA China Region. In addition to the risk of loss from lapse and surrenders the Group retains the mortality risk on the ALS policies. AXA Life Singapore Limited changed its name to AXA Insurance Pte Limited in January 2017.

The modified coinsurance account is categorised as level 2 in the fair value hierarchy under IFRS 13.

19 Modified coinsurance account (continued)

The movement and closing balance on the Modified Coinsurance Account at 31 December comprises:

	Consolidated 2017 £'000	2016 £'000
Balance at start of year / period	**796,863**	-
Acquired on acquisition	**-**	938,037
Deposits to investment contracts	**88,835**	41,280
Withdrawals from investment contracts	**(68,491)**	(151,712)
Attributable investment income	**29,197**	522
Attributable net loss on investments	**(63,103)**	(29,653)
Policy charges	**(5,955)**	(1,603)
Attributable expenses and charges	**(114)**	(8)
Closing balance carried forward	777,232	**796,863**

20 Other investments

	2017 £'000	2016 £'000
OEICS - available for sale	**10,181**	**-**

Other investments comprise the holding in the Oaktree European Senior Loan Fund (Share Class HGBP I) ISIN code LU0823372296, domiciled in Luxembourg. This fund has monthly valuations and liquidity. This investment falls into the level 2 fair value hierarchy as per note 31.6.

Dividends are made quarterly and reinvested in additional units in the fund. The investment return on the investment is attributable in full to the Group. The security is held subject to prices in the future which are uncertain. The price risk falls to the Group.

21 Debtors and other receivables

	Consolidated 2017 £'000	2016 £'000
Investment dealing debtors	**9,439**	16,098
Accrued investment income and commission	**1,460**	2,169
Other receivables and prepayments	**3,390**	1,577
Due from related parties	**67**	-
	14,356	**19,844**
Current (within 12 months)	**14,277**	19,790
Non-current (after 12 months)	**79**	54
	14,356	**19,844**

22 Cash and cash equivalents

	Consolidated 2017 £'000	2016 £'000	Restated Company 2017 £'000	2016 £'000
Deposits with credit institutions	**15,699**	24,881	**-**	-
Cash and cash equivalents	**45,527**	33,034	**15**	5
	61,226	**57,915**	**15**	**5**

23 Technical provisions for linked liabilities

The following table summarises the movement in financial liabilities under investment contracts during the year:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Balance at start of year / period	**10,097,167**	-
Acquired on acquisition	**-**	10,161,765
Deposits to investment contracts	**389,759**	78,639
Withdrawals from investment contracts	**(762,642)**	(241,005)
Fees and charges deducted including third party charges	**(43,177)**	(8,001)
Third party compensation applied	**196**	423
Commissions and rebates receivable	**5,246**	530
Change in provisions for investment contract liabilities	**805,251**	104,816
Movement in the year/period	**394,633**	10,097,167
Closing balance carried forward	**10,491,800**	**10,097,167**

24 Deferred front end fees

	Consolidated	
	2017	**2016**
	£'000	**£'000**
At start of year / period	**661**	-
Fees received and deferred during the year / period	**1,048**	673
Recognised in contract fees during the year / period	**(102)**	(12)
	1,607	**661**
Current (within 12 months)	**266**	61
Non-current (after 12 months)	**1,341**	600
	1,607	**661**

25 Amounts due to investment contract holders

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Due to investment contract holders	**12,558**	**16,185**

Amount due to investment contract holders are repayable and transferable on demand. In certain circumstances the contractual maturities of a portion of the assets may be longer than one year. Due to unit linked nature of our conracts the Group will only settle amounts due wen the linked asset is realised.

26 Borrowings from banks

	Consolidated 2017 £'000	2016 £'000
Bank loan principal	**74,000**	80,000
Bank loan accrued interest	**551**	681
Loan arrangement fee unamortised	**(1,399)**	(1,764)
	73,152	**78,917**
Current (within 12 months)	**12,186**	6,316
Non-current (after 12 months)	**60,966**	72,601
	73,152	**78,917**

On 27 April 2016 LCCG Holdings (No 6) Limited entered in to a loan facility agreement with Lloyds Bank Plc to borrow £80,000,000 to facilitate the acquisition of the AXA Isle of Man group of companies, which was utilised and drawn down on 20 October 2016. The loan is repayable in stages with termination and the final repayment date being 5 years from initial utilisation and drawdown. The first repayment of £6,000,000 was due and paid on 20 October 2017 and then a further £6,000,000 is due at 6 monthly intervals with the full and final repayment on the termination date of 20 October 2021. Interest on the loan is charged at Sterling LIBOR for the interest period, normally six months, plus a variable margin based on the ratio of consolidated total net debt to embedded value. The margin during the period was 3.5% (2016:3.75%) per annum. An initial arrangement fee of £1,825,000 was charged which is being amortised over the 5 year loan term.

As part of the borrowings detailed above, £4,261,890 (2016:£5,160,000) is held by LCCG Holdings (No 6) Limited in segregated bank accounts at Lloyds Bank International Limited as security for the loan interest payable. Furthermore LCCG Holdings (No 5) Limited, as 100% owner of LCCG Holdings (No 6) Limited, has under the terms of a Security Interest Agreement, assigned all its rights, title and interest in its shareholding in LCCG Holdings (No 6) Limited to Lloyds Bank Plc as security for the loan.

27 Creditors and other payables

	Consolidated 2017 £'000	2016 £'000
Premiums received in advance of policy issue	**5,230**	3,782
Commission payable	**89**	58
Other creditors and accruals	**3,768**	3,282
Investment dealing creditors	**4,922**	946
	14,009	**8,068**

All creditors are due for settlement within one year.

28 Called up share capital presented as equity

	Consolidated and Company		Consolidated and Company	
	2017	2017	2016	2016
	Number	No. of shares	Number	No. of shares
Allotted, called up and fully paid				
A Ordinary shares of £1 each	**96,250**	**96,250**	87,500	87,500
B Ordinary shares of £1 each	**13,750**	**13,750**	12,500	12,500
	£'000	**£'000**	**£'000**	**£'000**
A Ordinary shares of £1 each	**96**	**96**	87	87
B Ordinary shares of £1 each	**14**	**14**	13	13
	110	**110**	**100**	**100**

The movements in the year / period were as follows:

	Consolidated and Company		Consolidated and Company	
	A Ordinary No. of shares 2017	B Ordinary No. of shares 2017	A Ordinary No. of shares 2016	B Ordinary No. of shares 2016
At beginning of the year / period	87,500	12,500	-	-
Issued during the year / period	8,750	1,250	87,500	12,500
At end of financial year / period	**96,250**	**13,750**	**87,500**	**12,500**

	A Ordinary	B Ordinary	Total
	£'000	£'000	£'000
At beginning of the financial year	87	13	100
Issued during the year	9	1	10
At end of year	**96**	**14**	**110**

29 Non controlling interest

	Consolidated	Restated	Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Premium on preference shares not owned by the Group	118,900	112,900	-	-
Income allocated to preference shareholders	11,091	1,854	-	-
At 31 December	**129,991**	114,754	-	-

LCCG Holdings (No 4) Limited (the Subsidiary) has in issue 118,900,000 (2016:112,900,000) preference shares of £0.000001 each, issued 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.

30 Cash flow statement

	Consolidated		Company	Restated
	01 Jan 17 to 31 Dec 17 £'000	13 Jan 16 to 31 Dec 16 £'000	01 Jan 17 to 31 Dec 17 £'000	13 Jan 16 to 31 Dec 16 £'000
(Loss) / profit before taxation	**(6,808)**	69,218	-	-
Non-cash movements				
Amortisation of finance arrangement fee	**365**	61	**-**	-
Change in finance costs accrual	**(130)**	681	**-**	-
Gain arising on bargain purchase	**-**	(72,719)	**-**	-
Profit on disposal of property, plant and equipment	**(2)**	(14)	**-**	-
Amortisation of VIF intangible asset	**18,243**	3,998	**-**	-
Amortisation of intangible fixed asset	**57**	9		
Depreciation of property, plant and equipment	**167**	27		
Change in deferred origination costs	**(1,986)**	(1,058)	**-**	-
Net acquisition of financial investments	**357,759**	162,707	**-**	-
Net fair value gains on financial investments	**(757,969)**	(101,587)	**-**	-
Net foreign exchange (gains) / losses	**(1,554)**	136	**-**	-
Change in investment contract liabilities	**394,633**	(64,598)	**-**	-
Change in operating receivables	**7,662**	8,779	**-**	-
Change in operating payables	**3,259**	(7,141)	**-**	-
Net cash flows from / (used) in operating activities	**13,696**	**(1,501)**	**-**	**-**

31 Financial risk management

31.1 Risk management objectives and risk policies

The Group's objective in the management of financial risk is to minimise, where practicable, its exposure to such risk, except when necessary to support other objectives. The Group seeks to manage risk through the operation of unit linked business whereby the contract holder bears the financial risk. In addition, shareholder assets are invested in highly rated investments.

Overall responsibility for the management of the Group's exposure to risk is vested in the Board. To support it in this role, a risk management framework is in place comprising risk identification, risk assessment, control and reporting processes. Additionally, the Group has established a number of Committees with defined terms of reference. These are principally the Audit Committee, the Investment Committee and the Risk & Compliance Committee at Utmost Limited.

The more significant financial risks to which the Group is exposed are set out below. For each category of risk, the Group determines its risk appetite and sets its investment, treasury and associated policies accordingly.

31.2 Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, analysed between price, interest rate and currency risk. The Group has a risk averse approach to market risk, with a stated policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that the fall in equity or other asset values, whether as a result of price falls or strengthening of sterling against the currencies in which contract holder assets are denominated, will reduce the level of annual management charge income derived from such contract holder assets and the risk of lower future profits.

31 Financial risk management (continued)

31.2.1 Sensitivity analysis to market risk

The Group's business is unit linked and the direct associated market risk is therefore borne by contract holders (although there is a secondary impact as some aspects of shareholder income are dependent upon the markets, as mentioned above). Financial assets and liabilities to support the Group's capital resources held outside unitised funds primarily consist of units in money market funds, cash and cash equivalents, and other assets. Cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets are similarly unaffected by market movements.

The Group's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity. Future revenues from annual management charges may be affected by movements in interest rates, foreign currencies and equity values.

31.2.2 Price risk

The Group offers a number of unit linked funds. These unit linked funds are exposed to securities price risk as the investments held are subject to prices in the future which are uncertain. The fair value of financial assets (designated at fair value through profit or loss) exposed to price risk at 31 December 2017 was £1,142,844,000 (2016:£1,152,070,000). In the event that investment income is affected by price risk then there will be an equal and opposite impact on the value of the changes in provisions for investment contract liabilities in the same accounting period. The impact on the profit or loss before taxation in a given financial year is negligible.

An overall change in the market value of the unit linked funds would affect the net annual management charges accruing to the Group since these charges, which average 0.45% (2016:0.45%) per annum, are based on the market value of contract holder assets under administration. The approximate impact on the Group's full year profits and equity of a 10% change in fund values, either as a result of price, interest rate or currency fluctuations, is £518,000 (2016:£523,000).

31.2.3 Interest rate risk

Interest rate risk is the risk that the Group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates.

The Group is primarily exposed to interest rate risk on the balances that it holds with ,and borrowings from credit institutions. Shareholder's funds are invested in either cash or fixed interest deposits to provide a low level of interest rate risk.

A change in interest rates will impact the Group's annual investment income and equity. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of deposits held with credit institutions will fluctuate because of changes in market interest rates.

	2017	**2016**
	£'000	**£'000**
Increase of 100 bps (2016: 100 bps) in interest rate yields	2,598	2,336
Decrease of 45 bps (2016: 62 bps) in interest rate yields	(1,154)	(1,491)

The downward shift of 100bps would decrease rates below 0.0% and hence the impact has been floored at 45 bps (2016:62bps) being the average effective interest rates for deposits with credit institutions.

A summary of the Group's liquid assets at the statement of financial position date is set out in note 31.3.

A change in interest rates will also impact the Group's annual finance costs and equity. The sensitivity analysis for interest rate risk below illustrates how changes in the fair value of bank borrowings and finance costs will fluctuate because of changes in market interest rates.

	2017	**2016**
	£'000	**£'000**
Movement of 100 bps in borrowing interest rates	**740**	157

31 Financial risk management (continued)

31.2.4 Currency risk

Currency risk is the risk that the Group is exposed to higher or lower returns as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying exchange rates.

31.2.4.1 Group foreign currency exposures

The Group is exposed to currency risk on the foreign currency denominated bank balances, contract fees receivable and other liquid assets that it holds to the extent that they do not match liabilities in those currencies. The impact of currency risk is minimised by frequent repatriation of excess foreign currency funds to Sterling. The Group does not hedge foreign currency cash flows. At the statement of financial position date the Group's exposures to foreign currencies is not considered material.

31.2.4.2 Financial investments by currency

Certain fees and commissions are earned in currencies other than Sterling, based on the value of financial investments held in those currencies from time to time.

The sensitivity of the Group to the currency risk inherent in investments held to cover financial liabilities under investment contracts is incorporated within the analysis set out in 31.2.2 above.

At the statement of financial position date the proportion of non-cash financial investments by currencies other than Sterling is 1.5% (2016:1.6%).

31.3 Credit risk

Credit risk is the risk that the Group is exposed to lower returns or loss if another party fails to perform its financial obligations to the Group. The Group has adopted a risk averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

The clearing and custody operations for the Group's security transactions are spread across a number of different brokers and custodians. The Directors do not consider that there is a risk to the Group in respect of assets held supporting the unit linked investment contracts and as a consequence no quantitative disclosure has been included of this.

The Group has an exposure to credit risk in relation to its deposits with credit institutions. To manage these risks, deposits are made in accordance with an established policy.

The Group invests General Cash in accordance with guidelines approved by the Board. All new deposit takers must be approved by the Board. Existing deposit takers are reviewed on a regular basis including their long term credit ratings. While no minimum rating is specified the deposit takers will have Moodys long term credit ratings of A2 and above. Additionally, maximum counterparty exposure limits, minimum numbers of deposit institutions and maximum deposit time periods are defined in the guidelines and monitored on an on-going basis.

"General Cash" comprises shareholder cash, un-invested premium and pooled cash supporting the Portfolio and Funds General Transaction Accounts.

At the statement of financial position date, an analysis of the Group's own cash (excluding cash held for the benefit of deposit contract holders) and cash equivalent balances and liquid investments was as follows:

	2017	**2016**
	£'000	**£'000**
Short term deposits with credit institutions	**62,082**	48,557
Cash at bank	**45,527**	57,915
	107,609	106,472

All short term deposits have a maturity date of less than one year.

Life Company Consolidation Group (No 2) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

31 Financial risk management (continued)

31.4 Liquidity risk

Liquidity risk is the risk that the Group, though solvent, does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost. The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

The Group's objective is to ensure that it has sufficient liquidity over short-term (up to one year) and medium-term time horizons to meet the needs of the business. This includes liquidity to cover, amongst other things, new business costs, planned strategic activities, servicing of equity capital as well as working capital to fund day-to-day cash flow requirements.

Liquidity risk is principally managed in the following ways:

- Assets of a suitable marketability are held to meet contract holder liabilities as they fall due.
- Forecasts are prepared regularly to predict required liquidity levels over both the short and medium-term.

The Group's exposure to liquidity risk is considered to be low since it maintains a high level of liquid assets to meet its liabilities.

31.5 Maturity analysis

Set out below is a summary of the undiscounted contractual maturity profile of the Group's and Company's assets and liabilities:

	Consolidated		Company	Restated
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Assets				
Within one year	60,698	77,705	-	5
Two to five years	79	54	-	-
After five years	-	-	-	-
Total assets with a maturity profile	**60,777**	**77,759**	**-**	**5**
Total assets with no contractual maturity profile	10,713,769	10,305,457	110	95
Total assets	**10,774,546**	**10,383,216**	**110**	**100**
Liabilities				
Within one year	39,019	30,569	-	-
Two to five years	62,307	72,601	-	-
After five years	-	-		-
Total liabilities with a maturity profile	**101,326**	**103,170**	**-**	**-**
Total liabilities with no contractual maturity profile	10,491,800	10,097,828	-	-
Total liabilities, excluding equity	**10,593,126**	**10,200,998**	**-**	**-**

There is no significant difference between the value of the Group and Company's assets on an undiscounted basis and the statement of financial position values. Assets held to cover financial liabilities under investment contracts are deemed to have a maturity of up to one year since the corresponding unit linked liabilities are repayable and transferable on demand. In certain circumstances the contractual maturities of a portion of the assets may be longer than one year, but the majority of assets held within the unit linked funds are highly liquid. The Group actively monitors fund liquidity.

31 Financial risk management (continued)

31.6 Fair value estimation

The financial investments held to cover financial liabilities under investment contracts are as follows:

	Consolidated 2017 £'000	2016 £'000
Deposits and loans	**406,829**	490,098
Cash and cash equivalents	**36,039**	37,190
Discretionary managed portfolios	**5,572,181**	5,281,587
Other investments – analysed below	**3,689,994**	3,474,589
	9,705,043	**9,283,464**

Assets held on behalf of investment contract holders 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 risk is borne in full by the contract holders.

IFRS 13 requires the Group to classify fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring that fair value. The hierarchy is as follows:

- **Level 1:** fair value is determined as the unadjusted quoted price for an identical instrument in an active market.
- **Level 2:** fair value is determined using observable inputs other than unadjusted quoted prices for an identical instrument and that does not use significant unobservable inputs.
- **Level 3:** fair value is determined using significant unobservable inputs.

The valuation techniques for the investments held under the unit linked contracts will comprise a mix of Level 1 through Level 3.

Level 1 financial instruments are mainly equity securities listed on a recognised stock exchange, government bonds and collective investment schemes in active markets.

Level 2 financial instruments are mainly listed corporate bonds, medium term notes (MTNs), structured products in inactive markets and collective investment schemes, external life and managed portfolios with other than daily dealing frequencies. These have generally been classified as level 2 as the prices provided by the third party sources do not meet the definition of level 1 as they include inputs which are not based on inputs which are readily observable.

Level 3 financial instruments include interests in private equities and other investments funds that have been illiquid, suspended or in liquidation.

31 Financial risk management (continued)

31.6 Fair value estimation (continued)

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where the Directors determine that there is no active market for a particular financial instrument, fair value is assessed using valuation techniques based on available, relevant, information and an appraisal of all associated risks. This process requires the exercise of significant judgement on the part of the Directors.

The following table shows the analysis as at 31 December 2017 and 31 December 2016:

31 December 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**	**£'000**
Equities and exchange traded funds	**35,018**	**34,517**	**501**	**-**
Collective investment funds	**3,324,788**	**3,255,337**	**57,431**	**12,020**
External life funds	**277,530**	**-**	**277,530**	**-**
Managed portfolios	**31,247**	**-**	**31,247**	**-**
Structured products and MTNs	**20,204**	**-**	**20,204**	**-**
Other including private equities	**1,207**	**-**	**3**	**1,204**
	3,689,994	**3,289,854**	**386,916**	**13,224**

31 December 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**	**£'000**
Equities and exchange traded funds	11,226	11,224	-	2
Collective investment funds	3,249,825	3,168,875	64,353	16,597
Fixed interest securities	237	-	237	-
External life funds	144,394	-	144,394	-
Managed portfolios	31,358	-	31,358	-
Structured products and MTNs	36,493	-	36,493	-
Other including private equities	1,056	-	-	1,056
	3,474,589	**3,180,099**	**276,835**	**17,655**

Investments are transferred from level 1 to level 2 and vice versa when dealing/pricing frequencies change. Transfers into level 3 occur when an equity or collective investment scheme is suspended or enters liquidation, as notified by its fund administrator or investment manager. Transfers out of level 3 occur when such suspension is lifted, as notified by the fund administrator or investment manager. There were no significant transfers between level 1, 2 and 3 during the current year.

The Group has a general policy of no further investment into a level 3 instrument. The level 3 investments in respect of illiquid, suspended or liquidating funds and private equities as at 31 December 2017 were £13,224,000 (2016:£17,655,000). Any significant movements during the period will be realisations.

Only a small proportion of the assets are valued at a fair value derived using unobservable level 3 inputs. The majority of these are valued using valuations obtained from external parties which are reviewed internally to ensure they are appropriate. The Group has limited access to the key assumptions and data underlying these valuations and most of these investments are in suspended funds or funds in liquidation for which any change in valuation is derived from realisation of underlying assets therefore no sensitivity analysis has been presented.

The application of the three tier analysis of invested assets has not been applied to discretionary managed portfolios. This is because Management do not consider that there is a risk to shareholders of any movements in the quoted price for these assets in the unit linked funds. The direct market risk is borne by the contract holders.

31 Financial risk management (continued)

31.6 Fair value estimation (continued)

For discretionary portfolios, which represent groups of policyholder assets where the power to make investment decisions has been delegated to an approved discretionary manager (these are termed "Externally Managed Contracts" or "EMCs"), Management believe that the appropriate valuation technique is to use the valuation provided by the External Manager (which may not be at the period end, due to timing delays in receiving information from them). Whilst this may mean that different prices are used for the same assets (those held by the Group on behalf of contract holders directly, against those held within different EMCs which may use different price sources), this is considered to be appropriate in the circumstances and maximises the use of relevant observable inputs - the External Managers' statements.

Due to the unit linked nature of the contracts administered by the Group, any change in the value of financial assets held to cover financial liabilities under those contracts will result in an equal and opposite change in the value of contract liabilities. The separate effect on financial assets and financial liabilities is included in Gains on investments and Changes in provisions for investment contract liabilities, respectively, in the statement of comprehensive income.

32 Capital management

It is the Group's policy to maintain a strong capital base in order to:

- satisfy the requirements of its contract holders, creditors and regulators;
- maintain financial strength to support new business growth and create shareholder value; and
- match the profile of its assets and liabilities, taking account of the risks inherent in the business.

The Group's capital requirements are regularly monitored by the Board. The Group's policy is to at all times hold the higher of:

- the Group's internal assessment of the capital required; and
- the capital requirement of the relevant supervisory body.

There has been no material change in the Group's management of capital during the period and the Group has capital in excess of the minimum solvency requirement at the statement of financial position date.

Utmost Limited is required to maintain a certain margin of solvency by the Isle of Man regulator. This is calculated as the higher of £500,000 and 0.25% of the actuarial valuation of liabilities to policyholders net of reinsurance. The solvency requirement at 31 December 2017 was £26,231,000 (2016:£25,239,000). The excess over the minimum margin is £55,855,000 (2016:£47,596,000).

Utmost Trustees Solutions Limited is required to meet a number of minimum requirements in respect of share capital, net tangible assets and liquid capital by the Isle of Man regulator. The company is also required to submit an annual Financial Resources Statement. At the statement of financial position date the minimum share capital requirement is £25,000 (2016:£25,000), the minimum net tangible asset requirement is £28,000 (2016:£28,000) and the minimum liquid capital requirement is £146,000 (2016:£147,000). The company has complied with and exceeded these requirements.

The Group has complied with all externally and internally imposed capital requirements throughout the period. The capital, defined as total equity, is available to meet the regulatory capital requirements without any restrictions. The Group's other assets are largely investment in Oaktree European Senior Loan Fund (note 20), cash and cash equivalents and deposits with credit institutions.

33 Contingent liability

A subsidiary, Utmost Limited is a member of the Isle of Man Policyholders' Compensation Scheme governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the Scheme is to provide a compensation scheme for policyholders should an authorised insurer be unable to satisfy its liabilities. In the event of a levy being charged on Scheme members the Group would be obliged to satisfy the liability arising at that time. The maximum levy payable under the Scheme in respect of the insolvency of any Insurer is 2% of the long term business liabilities. The majority of the products issued by the Group include a clause permitting the Group to recover any monies paid out under the Scheme from policyholders.

A subsidiary, Utmost Trustee Solutions Limited, acts as Trustee on two loan trusts with a combined loan value of £151,319 (2016: £167,410). In the event of any ultimate default on the loans, the Trustees may be held liable for any shortfall between the outstanding amounts due on the loans and the value of the policies concerned. At the statement of financial position date there was a surplus (2016:surplus) on both policies between the outstanding amounts due on the loans and the current value of these policies. These two policies were active at the period end and are continually monitored.

The Group does not offer investment advice to its policyholders. All investment decisions are made either by the policyholders directly or by advisors appointed by the policyholders, and all of the investment performance risk lies with policyholders. Nevertheless, occasionally policyholders may seek to take action against the Group when the investments selected by either themselves or their advisers do not perform to their expectations. At both 31 December 2017 and 2016 there are no outstanding claims against the Group, however it is possible that future claims could be made against past investment performance. If such claims were made and substantiated, it is possible that an adverse resolution could have a material impact on the Group's financial statements.

34 Financial commitments

The Group has a 21-year lease expiring 13 September 2020. This lease covers office space at Royalty House, Walpole Avenue, Douglas. The total lease expenditure charged during the year is £605,000 (2016:£71,000).

The future minimum lease payments under non-cancellable operating leases are as follows:-

	2017	**2016**
	£'000	**£'000**
Not later than one year	663	426
Later than one year and no later than five years	906	1,151
Later than five years	-	-
	1,569	**1,577**

During the year the Group entered into a contract to purchase computer equipment and support services in 2018 for £558,000.

35 Immediate parent and ultimate controlling party

The immediate and ultimate parent company which maintains a majority controlling interest in the group at the year / period end is recognised by the directors as OCM LCCG2 Holdings Limited, a Cayman incorporated entity.

The financial statements of the Company and Group are available from www.lccgl.co.uk.

36 Related party transactions

Transactions with group companies
The Group undertakes transactions with related parties in the normal course of business.

LCCG Holdings (No 6) Limited and LCCG Holdings (No 4) Limited have borne their own administrative expenses and those of Life Company Consolidation Group (No 2) Limited and LCCG Holdings (No 5) Limited which are not recharged to those entities.

Utmost Services Limited provides administration services to the other Utmost companies in the Group. Directors' fees and audit fees are paid by this subsidiary and recovered through a service charge levied on those other Utmost subsidiaries.

Utmost Ireland DAC receives administration and sales support services from the Group. At the year end a balance of £67,000 (2016:nil) was receivable.

The transactions below are representative of intercompany transactions that took place during the financial year.

	Expenses incurred £'000	Year end balance £'000
Life Company Consolidation Group (No 2) Limited		
Investment in LCCG Holdings (No 4) Limited at cost less impairment		95
LCCG Holdings (No 6) Limited		
Administrative costs incurred on behalf of the Company	167	

The transactions below are representative of intercompany transactions that took place during the previous financial period to 31 December 2016.

	Expenses incurred £'000	Period end balance £'000
Life Company Consolidation Group (No 2) Limited		
Investment in LCCG Holdings (No 4) Limited at cost less impairment		95

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 an equity interest in Group entities which are detailed in note 37.

Key management compensation for the Group for the year / period includes salaries and short term benefits of £518,000 (2016:£50,000), Directors' fees of £1,150,000 (2016:£325,790) and post-employment benefits of £46,000 (2016:£7,000).

Costs of acquisition
Cost incurred in acquiring the subsidiaries in 2016 totalling £1,162,000 were borne by related companies, primarily LCCG Holdings (No. 4) Limited. These related companies are under common onwership and control.

37 Directors' and Secretary's interests

At 31 December 2017 and 31 December 2016 the Secretary had no beneficial interests in the shares of any group company. The directors' interests in parent company entities are detailed below:

31 December 2017		Andrew Paul Thompson	Ian Graham Maidens
Life Company Consolidation Group (No 2) Limited	A ordinary shares	527	527
Life Company Consolidation Group (No 2) Limited	B ordinary shares	6,875	6,875
LCCG Holdings (No 4) Limited	Non-voting Preference shares	651,222	651,222
LCCG Holdings (No 4) Limited	Non-voting S shares	50	50

31 December 2016		Andrew Paul Thompson	Ian Graham Maidens
Life Company Consolidation Group (No 2) Limited	A ordinary shares	438	438
Life Company Consolidation Group (No 2) Limited	B ordinary shares	6,250	6,250
LCCG Holdings (No 4) Limited	Non-voting Preference shares	564,500	564,500
LCCG Holdings (No 4) Limited	Non-voting S shares	50	50

38 Prior year restatement

During the year the Company changed the accounting policy for accounting for investments in subsidiary undertakings. In 2016 these were classified at fair value through profit or loss. To bring the Company in line with the Group accounting policy investments in subsidiary undertakings are now accounted for at cost less impairment. As a result the prior year company results have been restated as detailed below

	As previously Reported	Restated 2016	Impact 2016
Company	**£'000**	**£'000**	**£'000**
Statement of comprehensive income			
Fair value movement on investment in subsidiaries	69,218	-	(69,218)
Net impact on loss for the period	69,218	-	(69,218)
Statement of financial position			
Investment in subsidiary undertaking	69,313	95	(69,218)
Net impact on total equity	69,313	95	(69,218)

38 Prior year restatement (continued)

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 restatment has no effect on the 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	-	1,854	1,854
Comprehensive income attributed to owners of the parent company	69,218	67,364	(1,854)
Net impact on total comprehensive income for the period	69,218	69,218	-
Statement of financial position			
Non Controlling Interests	112,900	114,754	1,854
Equity attributable to owners of the parent company	69,318	67,464	(1,854)
Net impact on total equity	182,218	182,218	-

39 Events after the year end date

On 6 February 2017 it was announced that the Group had signed an agreement with Reliance Mutual Insurance Society Limited ("Reliance Mutual") under which it is proposed that Reliance Mutual would be demutualised and all of its business transferred to the Group. The proposed transaction has received Reliance Mutual member approval, and received High Court approval on 15 March 2018 and is expected to complete on 1 April 2018.

The share capital of RL Holdings Limited, into which the transfer of Reliance Mutual business is to take place, was sold by LCCG UK Holdings Limited on 22 March 2018 to LCCG UK (RL) Limited for £4,010,000. LCCG UK (RL) Limited is an indirect subsidiary of the Life Company Consolidation Group Limited, a company analogous to Life Company Consolidation Group (No 2) Limited specialising in the acquisition and consolidation of life assurance businesses.

On 23 March 2018, RL Holdings Limited was renamed Reliance Life Holdings Limited, LCCG New Lifeco Limited was renamed as Reliance Life Limited, and LCCG New Servco Limited was renamed as Reliance Life Services Limited.