Utmost UK Group Holdings Ltd.
(formerly LCCG Holdings (No 1) Limited)
Annual Report and
Consolidated Financial Statements

For the year ended 31 December 2018

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For the year ended 31 December 2018

Contents

Utmost UK Group Holdings Ltd. (formerly LCCG Holdings (No 1) Limited)

Company Information

For the year ended 31 December 2018

Directors
Paul Thompson
Ian Maidens
Christopher Boehringer
Henry Smith

Company Secretary
C. L. Secretaries Limited
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Elizabeth House
Les Ruettes Brayes
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Principal Bankers
The Royal Bank of Scotland International Limited
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Registered Office
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Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Independent Auditors
PricewaterhouseCoopers LLP
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London
SE1 2RT

Registered in Guernsey
Company Number
57224

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2018.

Utmost UK Group Holdings Ltd (the 'Company', 'UUGH') is a private company incorporated in Guernsey. As at 31 December 2018 the Group comprises the Company and its direct subsidiary UUG Holdings (No 2) Ltd ('UUG2'), together with underlying subsidiary entities UUG Holdings (No 3) Ltd ('UUG3'), UUG Holdings (No 1) Ltd ('UUG1'), and Utmost Life and Pensions Holdings Limited ('ULPH') and its subsidiaries (together the 'Group').

Change of name

The Company changed its name from LCCG Holdings (No 1) Limited to Utmost UK Group Holdings Ltd on 30 January 2019.

Principal activity

The principal activity of the Company is that of an insurance holding company. The principal activity of the Group, through one of the Company's indirect subsidiaries Utmost Life and Pensions Limited ('ULP'), is a specialist UK consolidator focused upon the provision of life and pension policies (currently closed book of business) by pursuing its strategy of acquiring and consolidating businesses in the UK to deliver economies of scale to the benefit of policyholders and shareholders.

Effects of Brexit on the Company

During the year there remains uncertainty around the terms under which the UK will leave the EU (“Brexit”). Although Brexit is not expected to have a significant impact on the Company’s operational activity, the uncertainty leads to lack of clarity on how the EU and UK will interact in the future and the impact on financial services. It also could lead to volatility in financial markets, which can increase certain risks. The Company has in place controls to minimise the impact of any volatility, and we will continue to monitor the terms under which the UK will leave the EU.

Composition of the Group - changes during 2018

During 2018 the composition of the Group has significantly changed compared to the composition as at 31 December 2017. The changes are summarised below:

Three new entities have been incorporated: On 18 January 2018, UUG2 and UUG3 as Guernsey-incorporated entities; and on 22 January 2018 UUG1, as a UK-incorporated entity. These three entities sit above ULPH in the Group structure as investment holding companies.

On 22 March 2018, the entire share capital of ULPH was sold by UIG Holdings (No 4) Ltd to UUG1 for £4,010k. Subsequent to this, on 1 April 2018 the transfer of the Reliance Mutual Insurance Society Limited ('RMIS') business into ULP took place, as detailed in the Business Review below.

Composition of the Group - changes during 2018 (continued)
On 13 June 2018, the entire share capital of UIG Holdings (No 2) Ltd ('UIG2') was sold to Utmost International Group Holdings Limited ('UIGH') for £71,387k (€80,960k). UIG2 effectively acts as holding company for the Irish business within the Utmost Group of Companies ('UGoC'). UGoC is a specialist life assurance Group. The core divisions of UGoC are Utmost Life and Pensions (the business under UUGH which is presented in these consolidated financial statements), and Utmost International, the Group under UIGH for which the principal business lines are Utmost Wealth Solutions and Utmost Corporate Solutions. UGoC similarly acquires and consolidates books of life insurance business based in Ireland. UIGH is the sister company to UUGH, forming part of the wider UGoC, and contains the Utmost International business.

The principal impact arising from the composition changes noted above is that whilst the Group's results and financial position as at 31 December 2017 reflect the Irish business under UIG2, the Irish business was transferred out of the Group on 13 June 2018 and accordingly is no longer included within the Group's consolidated financial position. The Group's Statement of Financial Position as at 31 December 2018 includes only the UK business following the acquisition of the RMIS business by ULP which took place on 1 April 2018. Given the Group's financial position at the 2018 year-end differs considerably to that at the 2017 year-end, to prevent confusion for the users of these financial statements management have emphasised the events and performance in the UK business. A more focussed review on the events in the Irish business is included within the 2018 financial statements of UIGH, which can be found at www.utmostgroup.co.uk.

Change of presentation currency
Following the composition changes noted above, in 2018 the Directors consider it appropriate to change the presentation currency of the financial statements from Euro to Pounds Sterling to better represent the current business structure. The 2017 comparatives, which previously included the Irish business, have been restated to Pounds Sterling.

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

Results and dividend
The result for the year is shown in the statement of comprehensive income on page 9. The Directors do not recommend the payment of a dividend (2017: £Nil).

Business review
On 1 April 2018, and pursuant to a High Court Sanctioned Part VII transfer of business, ULP acquired the entire business and substantially all assets and liabilities of RMIS, including the transfer of approximately 120,000 policies, a historic book of industrial branch business and assets of £1.8bn. Minor subsidiaries included within the transfer were immediately acquired by ULPH at their net asset value of £0.3m. RMIS subsequently changed its name to RMIS (RTW) Limited on 17 May 2018.

On the effective date of the transfer of business, ULP became the sole member of RMIS with 100% of the voting rights. RMIS assets comprised entirely of cash in respect of the proceeds to be paid to its former members.

All employees of RMIS were transferred under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (‘TUPE’) to Utmost Life and Pensions Services Limited (‘ULPS’), a wholly owned subsidiary undertaking, and the entity which employs all staff within the Group.

Business review (continued)

All ULP business is held within five sub-funds. The main sub-fund is the non-profit sub-fund ("NPF") and there are four with-profits sub-funds ("WPSFs"). ULP has two matching adjustment ("MA") portfolios of assets used to back immediate annuities and funeral plans, and contained within the NPF. ULP has no new business other than annuities sold to existing policyholders on the vesting of their ULP pension savings contracts (including contracts with guaranteed annuity options).

On 15 June 2018, ULP announced that it had signed an agreement with the Equitable Life Assurance Society ("Equitable Life") under which it is proposed to convert with-profit policyholders contracts to unit linked contracts, and transfer all its business to the ULP. The proposed transaction remains subject to member, regulatory and Court approvals, and has a target completion of 1 January 2020. The parties are progressing a Scheme of Arrangement and a Part VII transfer under the Financial Services and Markets Act 2000, which includes a vote by members of Equitable Life on the conversion of their "with-profits" policies.

Rebranding to the Utmost name

During 2018, one strand of work within the ongoing strategic development was to reassess the brand name associated with the Group, and decide whether it remained fit for purpose to support the vision and mission statement. Towards the end of 2018 the decision was taken to change the former name of ULP, Reliance Life Limited, to its current name Utmost Life and Pensions Limited. This new brand name has been adopted for the Company's website and all outward facing communications with customers and third parties.

As part of this process the Life Company Consolidation Group ('LCCG') of which the Company is a part also re-branded as the Utmost Group of Companies, with Utmost Life and Pensions, Utmost Wealth Solutions and Utmost Corporate Solutions all included under this umbrella. The new brand is designed to improve how stakeholders and customers view the Group as it moves forward.

Future developments

The Group continues to actively evaluate acquisition opportunities, and the future development is to promote the Group's strategic vision and mission statement to become a successful medium size UK life and pension consolidator, and to improve customer and shareholder outcomes by looking after the interests of all our customers, new and longstanding. To achieve the strategy, it was recognised that a steady stream of acquisitions would be needed to increase funds under management to the target position. With such acquisitions, it is acknowledged that the Group will minimise the challenges around the management of a closed book, where otherwise the policy base is in decline and diseconomies of scale bite as the proportion of fixed costs to total costs increases.

Key performance indicators

The Group key performance indicators at 31 December were as follows:

	2018	**2017**
	£'000	**£'000**
Comprehensive income after tax for the year	29,721	1,297
Total assets under administration	1,565,688	2,107,836
IFRS equity attributable to shareholders	99,949	88,882

Directors and Secretary

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

The Company Secretary had no beneficial interests in the shares of any Group company. Two directors Paul Thompson and Ian Maidens have an equity interest in certain Group entities. Details of these interests are disclosed in note 34 to the financial statements.

Directors' responsibilities statement

The Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Company and the Group, in accordance with applicable Guernsey law and International Financial Reporting Standards. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

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

Disclosure of information to auditors

The Directors who held office at the date of approval of this directors report confirm that, so far as they each are aware, there is no relevant 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 auditors

In 2017 the auditors were PriceWaterhouseCoopers LLC - Ireland. In 2018 they resigned and PricewaterhouseCoopers LLP - UK were appointed as auditors. PricewaterhouseCoopers LLP as auditors of the Company and the Group has indicated its willingness to continue in office and a resolution to re-appoint it will be proposed, in accordance with section 257 of The Companies (Guernsey) Law, 2008 at the forthcoming annual general meeting.

The financial statements on pages 9 to 51 were approved by the Board of Directors on 2 JULY 2019 and signed on its behalf by:

Director

Director

Independent Auditor's Report to the Members of
Utmost UK Group Holdings Ltd. (formerly LCCG Holdings (No 1) Limited)

Report on the audit of the financial statements

Opinion
In our opinion, Utmost UK Group Holdings Ltd.'s group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

Report on the audit of the financial statements (continued)

Reporting on other information (continued)
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors’ 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report
This report, including the opinions, 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 these opinions, 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.

Partner responsible for the audit
The engagement partner on the audit resulting in this independent auditors’ report is Lee Clarke.

Independent Auditor's Report to the Members of
Utmost UK Group Holdings Ltd. (formerly LCCG Holdings (No 1) Limited)

Report on the audit of the financial statements (continued)

Other required reporting

Companies (Guernsey) Law, 2008 exception reporting
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; or
- proper accounting records have not been kept by the company; or
- the company financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
3 July 2019

Utmost UK Group Holdings Ltd. (formerly LCCG Holdings (No 1) Limited)

Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	Consolidated		Company	
			Restated		Restated
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Gross premiums earned		**9,836**	632	**-**	-
Outwards reinsurance premiums		**(12,250)**	(37)	**-**	-
Net premiums earned		**(2,414)**	595	**-**	-
Dividends received		**143**	308	**-**	-
Fee and commission income	4	**6,235**	33,312	**-**	-
Net investment income	5	**(32,636)**	133,380	**-**	-
Other operating income		**589**	103	**-**	-
Foreign exchange gain		**-**	-	**-**	2,827
Total revenue, net of reinsurance payable		**(28,083)**	167,698	**-**	2,827
Policyholder claims		**(72,195)**	(153,747)	**-**	-
Change in investment contract liabilities		**59,817**	20,850	**-**	-
Change in insurance contract liabilities		**59,334**	(3,349)	**-**	-
Transfer to unallocated surplus	20	**7,348**	(3,674)	**-**	-
Net policyholder claims		**54,304**	(139,920)	**-**	-
Administrative expenses	6	**(18,990)**	(33,849)	**(20)**	(72)
Amortisation of acquired value of in-force business	13	**(3,050)**	-	**-**	-
Total operating expenses		**(22,040)**	(33,849)	**(20)**	(72)
Change in fair value of investment in subsidiary	11	-	-	**35,311**	(4,693)
Gain arising on bargain purchase	12	**34,917**	1,603	**-**	-
Loss on disposal of subsidiaries		**(19,248)**	-	**(17,458)**	-
Reclassification of reserves on disposal of subsidiaries		**13,267**	-	**-**	-
Profit /(loss) for the financial year before tax		**33,117**	(4,468)	**17,833**	(1,938)
Tax (charge) / credit	8	**(4,307)**	65	**-**	-
Profit /(loss) for the financial year after tax		**28,810**	(4,403)	**17,833**	(1,938)
Fair value movements of owner occupied land and buildings		**350**	-	**-**	-
Remeasurement of net defined benefit obligation		**654**	-	**-**	-
Movements in available for sale reserves		**-**	(111)	**-**	-
Foreign exchange rate movements		**-**	5,811	**-**	-
Total tax on components of other comprehensive income		**(93)**	-	**-**	-
Total comprehensive income / (deficit) for the financial year		**29,721**	1,297	**17,833**	(1,938)

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

The notes on pages 13 to 51 form an integral part of these financial statements.

Utmost UK Group Holdings Ltd. (formerly LCCG Holdings (No 1) Limited)

Statement of Financial Position

As at 31 December 2018

	Notes	Consolidated		Company	
			Restated		Restated
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
ASSETS					
Intangible assets	13	**57,953**	1,969	-	-
Investment property	16	-	21,389	-	-
Property, plant and equipment	9	**3,452**	156	-	-
Investment in subsidiary undertaking	11	-	-	**101,311**	86,716
Financial assets	14	**1,565,688**	2,107,836	-	-
Current and deferred tax assets		**2,432**	1,889	-	-
Deferred acquisition costs		-	7,373	-	-
Reinsurance assets	18	**29,094**	424,094	-	-
Other debtors	17	**4,353**	893	-	-
Cash and cash equivalents		**82,612**	85,364	**18**	2,178
Prepayments and accrued income		**11,497**	2,357	-	3
Total assets		**1,757,081**	2,653,320	**101,329**	**88,897**
LIABILITIES					
Liabilities to customers under insurance contracts:					
Liabilities under insurance contracts	19	**944,800**	594,880	-	-
Unallocated surplus	20	**64,279**	27,928	-	-
Liabilities to customers under investment contracts	21	**618,304**	1,894,930	-	-
Reinsurance payables		**431**	-	-	-
Deposits received from reinsurers		**6,192**	-	-	-
Payables related to direct insurance contracts		-	13,275	-	-
Borrowings from banks	22	-	10,266	-	-
Accruals and deferred income		**5,655**	4,269	**5**	19
Other liabilities	23	**6,302**	18,890	-	-
Current and deferred tax liabilities	24	**5,120**	-	-	-
Defined benefit pension net liability	29	**6,049**	-	-	-
Total liabilities		**1,657,132**	2,564,438	**5**	19
EQUITY					
Share capital	25	**75**	75	**75**	75
Share premium		**66,000**	66,632	**66,000**	66,632
Capital redemption reserve		**(4,755)**	-	**(4,755)**	-
Other reserves		-	13,267	-	-
Retained earnings		**38,629**	8,908	**40,004**	22,171
Total equity		**99,949**	88,882	**101,324**	88,878
			-	-	-
Total equity and liabilities		**1,757,081**	2,653,320	**101,329**	88,897

The financial statements were approved and authorised for issue by the Board of Directors on 2 JULY 2019 and signed on its behalf by:

Director

Director

The notes on pages 13 to 51 form an integral part of these financial statements.

Utmost UK Group Holdings Ltd. (formerly LCCG Holdings (No 1) Limited)

Statement of Changes in Equity

For the year ended 31 December 2018

CONSOLIDATED	Notes	Called up share capital presented as equity £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2017 - restated		75	64,500	-	7,567	16,840	88,982
Profit for the year		-	-	-	-	(4,403)	(4,403)
Other comprehensive income for the year		-	-	-	5,700	-	5,700
Shares issued during the year		-	2,132	-	-	-	2,132
Release of Non-controlling interest		-	-	-	-	(227)	(227)
Other movements	26	-	-	-	-	(3,302)	(3,302)
Balance as at 31 December 2017 - restated		**75**	**66,632**	**-**	**13,267**	**8,908**	**88,882**
Reclassification of reserves on disposal of subsidiary		-	-	-	(13,267)	-	(13,267)
Profit for the year		-	-	-	-	28,810	28,810
Other comprehensive income for the year		-	-	-	-	911	911
Shares issued during the year		-	66,000	-	-	-	66,000
Shares repurchased in year		-	(66,632)	-	-	-	(66,632)
Capital redemption reserve on redemption of preference shares	26	-	-	(4,755)	-	-	(4,755)
Balance as at 31 December 2018		**75**	**66,000**	**(4,755)**	**-**	**38,629**	**99,949**

COMPANY	Called up share capital presented as equity £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2017 - restated	75	64,500	-	24,109	88,684
Total comprehensive loss for the year	-	-	-	(1,938)	(1,938)
Shares issued during the year	-	2,132	-	-	2,132
Balance as at 31 December 2017 - restated	**75**	**66,632**	**-**	**22,171**	**88,878**
Total comprehensive income for the year	-	-	-	17,833	17,833
Shares issued during the year	-	66,000	-	-	66,000
Shares repurchased in year	-	(66,632)	(4,755)	-	(71,387)
Balance as at 31 December 2018	**75**	**66,000**	**(4,755)**	**40,004**	**101,324**

The notes on pages 13 to 51 form an integral part of these financial statements.

Utmost UK Group Holdings Ltd. (formerly LCCG Holdings (No 1) Limited)

Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Consolidated 2018 £'000	Consolidated 2017 £'000	Company 2018 £'000	Company 2017 £'000
Net cash flows used in operating activities	27	**(48,799)**	(37,596)	**(31)**	(75)
Cash flows from investing activities					
Investment in subsidiaries (net of cash acquired)		**71,732**	(2,627)	**-**	-
Disposal of subsidiaries (net of cash acquired)		**(91,685)**	(102)	**-**	-
Capital contributions paid to subsidiary		**-**	-	**(2,130)**	-
Net disposals of available for sale assets		**-**	22,387	**-**	-
Coupon received on available for sale assets		**-**	264	**-**	-
Net cash (used by) / generated from investing activities		**(19,953)**	19,922	**(2,130)**	-
Cash flows from financing activities					
Issue of share capital		**-**	-	**-**	-
Share premium received		**66,000**	2,102	**-**	2,132
Long term loans settled		**-**	(929)	**-**	-
Net cash flows generated from financing activities		**66,000**	1,173	**-**	2,132
Net (decrease) / increase in cash and cash equivalents		**(2,752)**	(16,501)	**(2,161)**	2,057
Cash and cash equivalents at the beginning of the financial year		**85,364**	97,734	**2,178**	122
Exchange differences arising on cash and cash equivalents		**-**	4,131	**1**	(1)
Cash and cash equivalents at the end of the financial year		**82,612**	85,364	**18**	2,178

The notes on pages 13 to 51 form an integral part of these financial statements.

1 General information

The principal activity of Utmost UK Group Holdings Ltd (formerly LCCG Holdings (No 1) Limited) (the "Company") is as an insurance holding company in respect of the Utmost Life and Pensions business which is held primarily within Utmost Life and Pensions Limited, an indirect subsidiary of the Company. 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 11 September 2013. 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 Group applied in preparing its financial statements for the financial year ended 31 December 2018 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 financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards as set out in the relevant accounting policies. They are presented in Pounds Sterling, rounded to the nearest thousand. The presentation currency changed during the year as detailed in note 2.2.1.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and the subsidiary undertakings detailed in note 10. A subsidiary is an entity where the Group 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 Group controls the entity. Subsidiaries in which the Group has a beneficial interest are consolidated from the date on which control is transferred to the Group until the date that control ceases.

The acquisition method of accounting is used by the Group 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 gain on 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.

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 consolidated financial statements are presented in Pounds Sterling. As noted in the Directors' Report the presentation currency of the Company and the Group changed from Euro to Pounds Sterling in 2018 following the group restructuring changes that took effect during 2018. As a result the 2017 comparatives have been restated. The change in presentation currency reflects the fact that the Utmost Life and Pensions business is largely transacted in Pounds Sterling. The impact of restating the 2017 comparatives has resulted in a foreign currency translation reserve of £13,267k as at 31 December 2017 representing the cumulative foreign currency impact arising from the translation of the results and financial position of the Irish business, which has accordingly been 'recycled' through the Statement of Comprehensive Income in 2018 on disposal of the Irish business on 13 June 2018.

2.2.2 Foreign currency transactions and balances

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

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

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

2.3 Classification of insurance and investment contracts

Contracts are classified as insurance contracts where the Group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if an unspecified uncertain event adversely affects the policyholder.

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

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

2.4 Premiums

Premiums, including reinsurance premiums, and consideration for annuities are accounted for when due for payment, except for unit-linked premiums, which are accounted for when units are created.

2.5 Claims

Maturity claims and annuities are recognised when due for payment. Surrenders are accounted for when paid or, if earlier, on the date the policy ceases to be included within the calculation of the long term business provision and/or the technical provision for linked liabilities. Death claims are recognised on the basis of notifications received. Claims payable include the related internal and external claims handling costs.

2 Significant accounting policies (continued)

2.6 Long-term business provision

The long-term business provision is determined on the basis of recognised actuarial methods and in accordance with the regulations contained in the Prudential Regulatory Authority ("PRA") Rulebook, with adjustments to align to IFRS requirements. In determining the long-term business provision all relevant guidance from the Board of Actuarial Standards has been followed.

The long-term business provision includes the non-unit liabilities in respect of unit-linked insurance contracts.

All long-term business technical provisions are determined in accordance with the Solvency II regulatory valuation adjusted as follows:

- Remove the impact of Transitional Measures on Technical Provisions;
- Using discount rates based on swap rates with an additional margin for annuity business to allow for an illiquidity premium;
- Add a margin to best estimate expense, mortality and longevity assumptions as well as to take-up of guaranteed annuity options ("GAOs") to ensure sufficient prudence in the provisions;
- At individual policy level the provision calculated will not be less than the guaranteed amount immediately due (this applied primarily to unit-linked insurance policies);
- With-Profit provisions exclude future final bonuses because these are not guaranteed. The excess of assets over liabilities in the With-Profit funds shall be used to enhance the bonuses in these funds.

All other inputs and assumptions are the same as those used in the Solvency II regulatory valuation of liabilities.

2.7 Technical provisions for linked liabilities

Liabilities under unit-linked contracts are recognised as and when the units are created and are dependent on the value of the underlying financial assets, derivatives and/or investment property. Unit-linked contracts which transfer significant insurance risk, including guaranteed benefits, are classified as insurance contracts and are carried in the balance sheet at an amount determined by the valuation of the related units on the valuation date.

The technical provision for linked liabilities also includes amounts in respect of unit-linked contracts which principally involve the transfer of financial risk (see 2.8 'unit-linked investment contracts' below).

2.8 Unit-linked investment contracts

Amounts received in respect of unit-linked investment contracts, which principally involve the transfer of financial risk, are accounted for under deposit accounting, under which amounts collected are credited directly to the Statement of Financial Position, as an adjustment to the liability to the policyholder. Financial liabilities in respect of unit-linked investment contracts are measured at fair value through Statement of Comprehensive Income and are presented in the Statement of Financial Position as "Liabilities to customers under investment contracts".

Fees receivable from unit-linked investment contracts (included in "Fee and commission income") and investment income and interest payable on contract balances are recognised in the Statement of Comprehensive Income account in the year they are accrued, unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided.

2 Significant accounting policies (continued)

2.9 Reinsurance

Long-term business is ceded to reinsurers under contracts to transfer out part or all of the following risks: mortality, morbidity, investment, persistency and expenses. Such contracts are accounted for as insurance contracts provided the risk transfer is significant.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the Statement of Comprehensive Income, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year. Net reinsurance payable amounts represent mortality swaptions in respect of annuity payments.

2.10 Defined benefit pension scheme

The Group's principal employer to the defined benefit pension scheme is ULP which was transferred from RMIS on 1 April 2018. A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. The scheme has been closed to future accrual since June 2010.

The liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method and is calculated annually by an independent actuary engaged by the Group. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and have terms approximating the estimated period of future payments ('discount rate').

The fair value of scheme assets is measured in accordance with the IFRS 13 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions together with the return on scheme assets, less amounts included in net interest, are disclosed as 'Remeasurements of net defined benefit obligations'.

The defined benefit pension scheme is reported using the provisions of IAS19. Included on the Statement of Financial Position is the aggregate assets of the pension scheme less the present value liabilities of the scheme, net of a provision for deferred tax. The change in the net liability of the scheme is recognised in other comprehensive income as "Remeasurements of net defined benefit obligations".

The net interest is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the scheme assets. This is recognised in the technical account for long-term business within operating expenses.

The cost of the defined benefit scheme, recognised in the Statement of Comprehensive Income as administrative expenses comprises:

- The increase in pension benefit liability arising from employees service during the period; and
- The cost of benefit changes, curtailments and settlements.

2 Significant accounting policies (continued)

2.11 Taxation (current and deferred)

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

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

Deferred tax liabilities are recognised when there are temporary difference between the carrying value of assets and the tax base.

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.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

2.12 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at the estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment of the business combination. On acquisition of a business, fair values are attributable to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of the contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Negative goodwill arising on an acquisition is recognised directly in the Statement of Comprehensive Income as a gain on bargain purchase.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

2 Significant accounting policies (continued)

2.13 Acquired value of in-force business

On acquisition of a portfolio of long-term insurance contracts, directly or through the acquisition of a subsidiary undertaking, the insurance contract liability is measured in accordance with the Group's accounting policies for insurance contracts. The difference between the fair value of the acquired contracts and the value attributed to the insurance contract liability is recognised as an intangible asset referred to as the present value of acquired in-force business.

The subsequent measurement of the asset is consistent with the related insurance liability and reflects both the annual unwind of the discount used to measure the asset and the expected pattern of emergence of shareholder's interest in the after tax cash flows over the expected lives of the acquired contracts.

The amortisation charge represents the movement in the value of the asset and is recorded in the Statement of Comprehensive Income. The remaining amortisation period at 31 December 2018 is 14.25 years.

2.14 Land and buildings

Land and buildings are measured at fair value. Full valuations are made by independent, professionally qualified valuers every year. Revaluation gains and losses on owner occupied properties are taken to other comprehensive income.

2.15 Property, plant and equipment

Property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Costs includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Depreciation is calculated, using the straight-line method, to allocate the depreciable amount over their residual values over their estimated useful lives, as follows:

Computer Hardware and Software	3 years
Office Equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is applied prospectively.

2.16 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.

Investment in subsidiaries are measured at fair value in the Statement of Financial Position and classified as a Level 3 asset in the fair value hierarchy. The determination of the fair value is a judgemental area and inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the assumptions that management consider market participants would use in pricing the asset or liability in the event of selling the business. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

2 Significant accounting policies (continued)

2.16 Investment in subsidiary undertakings

The fair value approach applied by the Company is to measure the 'economic value' of the underlying subsidiaries based on a Solvency II assessment of the value of the business, adjusted for other components where management view that Solvency II doesn't reflect the commercial value of the business. One such component is to adjust the 'risk margin' (an amount required under Solvency II rules to represent the potential cost of transferring insurance obligations to a third party should an insurer fail), calculated using a cost of capital set to 6% under regulatory rules, which management consider to overstate the realistic cost. A further component is to remove the impact of the Transitional Measures on Technical Provisions ('TMTP'), which reflects an adjustment to bring the Solvency II technical provisions in line with their actual Solvency II valuation (currently insurers are permitted to amortise the increase in technical provisions resulting from the transition to Solvency II over sixteen years). Accordingly the fair value assessment applies a 3% cost of capital (2017: 3%) in calculating the risk margin to more appropriately reflect management's view of economic value.

£35,311k of fair value gains are recognised in the Statement of Comprehensive Income in the year ended 31 December 2018 (2017: loss (£4,693k)) in respect of remeasuring the Company's investment in subsidiaries at fair value. The impact on the fair value of investment in subsidiaries of a 1% change in the cost of capital would be £5.0m.

2.17 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

2.18 Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income account on a straight-line basis over the period of the lease.

The Group has no leases classified as finance leases throughout the reporting period.

2 Significant Accounting Policies (continued)

2.19 Provisions and contingencies

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class or obligations might be small.

Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring. Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group’s control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

2.20 Financial instruments

The Group has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments (as adopted for use in the EU) in respect of financial instruments. As detailed in note 2.28, the Group has elected to defer the adoption of IFRS 9 in accordance with the temporary exemption permitted by the IASB to defer until the adoption of IFRS 17.

2 Significant accounting policies (continued)

2.21 Financial assets

The Group classifies its financial assets into the following categories: Shares and other variable yield securities and units in unit trusts – at fair value through profit and loss; Derivatives – at fair value through profit and loss; Debt securities and other fixed income securities – at fair value through profit and loss; Loans and receivables – at amortised cost. Management determines the classification of its investments at initial recognition.

(i) Shares and other variable yield securities and units in unit trusts, debt securities and other fixed income securities – at fair value through profit and loss

A financial asset is classified into this category at inception if they are acquired with the view that they are capable of being sold in the future prior to maturity or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit and loss are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to key management personnel. The Group's investment strategy is to invest in listed equity securities and fixed interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

Fair value for listed and other listed investments in fixed interest holdings is the bid price excluding accrued income. Unit trust and open-ended investment company (OEIC) holdings are valued at bid price. Assets held to cover the technical provision for linked liabilities are valued at bid price.

(ii) Derivative – at fair value through profit and loss

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the Statement of Comprehensive Income. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, such as discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(iii) Deposits with credit institutions – other loans

Deposits with credit institutions are initially recognised at the fair value of the consideration paid including transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently they are measured at book value which is principal less repayments plus accrued interest. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as being prudent with regard to the likely realisable value.

(iv) Collateral

The Group receives and pledges cash as collateral in respect of certain derivative contracts in order to reduce the credit risk of these transactions. The amount of the collateral required depends upon an assessment of the credit risk of the counterparty.

The collateral received is not legally segregated from the Group, and is recognised as an asset in the Statement of Financial Position with a corresponding liability for repayment in other liabilities note 23.

2 Significant accounting policies (continued)

2.21 Financial assets

(v) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.22 Financial liabilities

On initial recognition, financial liabilities are recognised when due and measured at fair value of the consideration received less directly attributable transaction costs (with the exception of liabilities at fair value through profit or loss which all transaction costs are expensed). Subsequent to initial recognition, financial liabilities (except for liabilities under investment contracts and other liabilities designated at fair value through profit or loss) are measured at amortised cost using the effective interest method.

2.23 Borrowings

Interest-bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised as income or an expense in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

2.24 Investment return

Interest income is recognised using the effective interest rate method.

Dividend income is recognised when the right to receive payment is established.

Interest, rents and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at fair value through Statement of Comprehensive Income are calculated as the difference between net sale proceeds and the purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. All gains and losses are reported in the Statement of Comprehensive Income.

2 Significant accounting policies (continued)

2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.26 Distributions to equity holders

Dividends and other distributions to the Group's shareholder are recognised as a liability in the financial statements in the year in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

2.27 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group.

2.28 Changes in accounting standards and accounting policies

New standards, amendments to standards and interpretations
The following new accounting standards became effective for the financial year beginning 1 January 2018 and have been adopted for the first time in these financial statements.

IFRS 9 "Financial Instruments": IFRS 9 effectively looks to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard requires different criteria by which to assess the classification of financial assets, as well as the introduction of an expected credit loss model instead of the previous incurred loss model for impairments of assets held at amortised cost. Additional disclosures are also required under IFRS 9. As permitted by the IASB, the adoption of IFRS 9 can be deferred by insurance groups to align with the implementation of IFRS 17, the new insurance contracts accounting standard, if it meets certain criteria. These criteria include the Group not previously having applied IFRS 9, and having activities that are predominantly connected with insurance. The Group has concluded it meets the criteria for deferring adoption of IFRS 9 as at 31 December 2018.

IFRS 15 "Revenue from Contracts with Customers": Whilst the Group does have fee income which is included within the scope of IFRS 15, there has been no impact to the measurement of these income streams from adoption of IFRS 15 given the income is already recognised as and when the performance obligation has been satisfied. In most cases this revenue is recognised in the same period in which the fees are charged to the policyholder. Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled.

Proposed prospective changes to accounting standards
The Group continues to monitor developments in IFRSs, including new standards issued in addition to exposure drafts, amendments and annual improvements, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The main prospective changes that are likely to impact the Group include the following:

IFRS 17 "Insurance Contracts": In November 2018 the IASB recommended an amendment to IFRS 17 to defer the effective date to 1 January 2022. The new standard is expected to change the methodology under which (re)insurance contract liabilities are measured, in addition to revising the presentation of the primary statements and disclosures in relation of insurance companies. The Group continues to monitor developments and is currently undertaking an assessment of the impact of IFRS 17. The Group primarily writes insurance contract business, and therefore the adoption of IFRS 17 is expected to impact the Group.

IFRS 16 "Leases" is effective for the financial year ending 31 December 2019. The new standard eliminates the distinction between operating and finance leases and requires lessees to recognise all leases with a lease term of greater than 12 months in the Statement of Financial Position. The Group will adopt this standard with an effective date of 1 January 2019. The Group does not have any material operating leases in place as at 31 December 2018, and as such the new standard is not expected to be material to the Group.

3 Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a Significant judgements in applying the accounting policies

(i) Significant insurance risk

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

b Sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts to the assets and liabilities within the next financial year are addressed below.

(i) Insurance and investment contract liabilities

Insurance and investment contract liability accounting is discussed in more detail in accounting policies notes 2.6 and 2.7 with further detail of the key assumptions made in determining insurance and investment contract liabilities included in notes 19 and 21. Economic assumptions are set taking into account market conditions as at the valuation date. Non-economic assumptions, such as future expenses, longevity and mortality are set based on past experience, market practice, regulations and expectations about future trends.

The valuation of insurance contract liabilities is sensitive to the life assumptions which have been applied to their calculation. Details of sensitivities arising from significant non-economic assumptions are detailed in note 30.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. (See note 30(e): liquidity risks) for details of the carrying values. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. See note 30 for discussion of the related risks.

(iii) Fair value of land and buildings

The valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. See note 9 for the carrying value.

(iv) Estimated impairment of Acquired Value of in-Force business

The Group tests annually whether the Acquired Value of in Force Business has suffered any impairment. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates. See note 13 for the carrying value. The assumptions on which goodwill impairment testing is based include, but are not limited to, discount rate, useful economic life and cash flow forecasts for future business generation. These assumptions have been subject to sensitivity analysis, however if any assumptions made prove to be inaccurate, this may mean that the value of goodwill is not supportable, which could have a material effect on the Group's financial position.

3 Critical accounting judgements and estimates (continued)

b Sources of estimation uncertainty (continued)

(v) Defined benefit pension scheme

In respect of the Reliance Pension Scheme, ULP currently recognises a pension deficit. The present value of the liability depends on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rates used on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 29 for disclosures relating to the defined benefit pension scheme.

(vi) Investment in subsidiary undertaking

Accounting for investment in subsidiary undertakings is discussed in more detail in accounting policies note 2.16 with further detail of the financial effect to the Company included in note 11.

4 Fee and commission

	Consolidated	
	2018	**2017**
	£'000	**£'000**
Net change in deferred income	**-**	28,913
Fee income from investment contracts	**6,235**	4,399
	6,235	33,312

5 Net investment income

	Consolidated		Company	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
(Loss)/income from financial assets at fair value through profit or loss - Ireland	**(16,464)**	133,044	**-**	-
Income from financial assets at fair value through profit or loss - UK business	**33,716**	-	**-**	-
Net return on pension scheme	**(117)**	-	**-**	-
Net gain on realisation of investments	**19,051**	-	**-**	-
Change in fair value of investments	**(68,822)**	289	**-**	-
Loan interest receivable	**-**	47	**-**	-
Net investment income	**(32,636)**	133,380	**-**	-

6 Administrative expenses

	Consolidated 2018 £'000	Consolidated 2017 £'000
Administrative expenses		
Staff costs		
Wages and salaries	**5,242**	3,870
Social security costs	**412**	283
Defined pensions contribution	**549**	441
Other staff costs	**26**	3
	6,229	4,597
Other administrative costs	**12,761**	29,252
	18,990	**33,849**

	Consolidated 2018 £'000	Consolidated 2017 £'000	Company 2018 £'000	Company 2017 £'000
Included within the administration				
Fees payable to PricewaterhouseCoopers				
Audit services:	356	321	15	-
Non-audit services:	182	109	-	-
Total	**538**	**430**	**15**	**-**
Fees in respect of the Reliance Pension				
Audit	10	-		

Fees shown are net of VAT but the cost to the Company is gross.

Employee information

The average monthly number of persons (including the executive Directors) employed by the Group during the year was 88 (2017:43).

7 Directors' remuneration

	Consolidated 2018 £'000	Consolidated 2017 £'000
Total directors' emoluments	**1,568**	1,309
Highest paid director (included in above figures)	**316**	370

The Company provides one director with a cash-settled long-term bonus plan. Amounts payable under the plan are dependent on an increase in Solvency II EV over a five year period from 1 April 2018 to 31 March 2023 or earlier event as defined under the plan. The fair value of the plan at 31 December 2018 is £56k (2017:£nil).

8 Taxation

The tax charge/(credit) recognised in the Statement of Comprehensive Income is comprised as follows:

	Consolidated 2018 £'000	2017 £'000
UK Corporation tax credit	**(833)**	(65)
Current year movement in deferred tax	**5,140**	-
	4,307	(65)

The Company pays Guernsey income tax at the standard rate of 0% (2017: 0%). The subsidiary companies as detailed in note 10 pay tax at the standard tax rate of each jurisdiction.

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

	Consolidated 2018 £'000	Consolidated Restated 2017 £'000	Company 2018 £'000	Company Restated 2017 £'000
Profit / (loss) on ordinary activities before taxation	**33,117**	(4,468)	**17,833**	(1,938)
Tax at the Guernsey rate of 0% (2017: 0%)	**-**	-	**-**	-
Tax at the UK rate of 19% (2017: 19.25%)	**6,292**	(54)	**-**	-
Tax at the Irish rate of 12.5% (2017: 12.5%)		(473)	**-**	-
Non-taxable income	**(388)**	-	**-**	-
Foreign profits subject to lower corporation tax rates	**-**	(63)	**-**	
Non-deductible expenses	**861**	-	**-**	-
Other	**7**	(2)	**-**	-
Impact of future tax rate changes	**(712)**	-	**-**	-
Permanent differences	**-**	78	**-**	-
Impact of Group Transfer Pricing Adjustments	**-**	69	**-**	-
Fair value adjustment on investment in Subsidiaries	**-**	(214)	**-**	-
Prior year losses utilised on which deferred tax was not recognised	**-**	(328)	**-**	-
Tax payable at policyholder rate	**(1,753)**	-	**-**	-
Losses carried forward on which no deferred tax asset is recognised	**-**	922	**-**	-
Tax charge / (credit) for the financial year	**4,307**	(65)	**-**	-

The 2016 Finance Act contained provisions to reduce the main UK corporation tax rate to 17% with effect from 1 April 2020. The company has used the latter rate to provide for deferred tax rate on timing differences that are expected to be taxable, when they unwind, at the main corporation tax rate.

9 Property, plant and equipment

	Consolidated				
	Hardware and software £'000	Fixtures and fittings £'000	Property, plant & equipment £'000	Land and buildings £'000	Total £'000
Cost					
At beginning of the financial year	311	179	6	-	496
Additions	2	-	-	3,100	3,102
Disposal on sale of subsidiary	(311)	(179)	(6)		(496)
At 31 December 2018	2	-	-	3,100	3,102
Depreciation					
At beginning of the financial year	(184)	(153)	(3)	-	(340)
Disposal on sale of subsidiary	184	153	3	-	340
Charge for the year	-	-	-	-	-
Revaluation gain in the year	-	-	-	350	350
At 31 December 2018	-	-	-	350	350
Net book values at 31 December 2018	**2**	**-**	**-**	**3,450**	**3,452**
Net book values at 31 December 2017	**127**	**26**	**3**	**-**	**156**

The Group had no land and buildings at 1 January 2018. On 1 April, and as part of the Part VII transfer of assets from RMIS, the Group acquired freehold owner occupied land and buildings at a fair value of £3,100k and other immaterial fixed assets.

Land and buildings was revalued as at 31 December 2018 at open market value by chartered surveyors Aitchison Raffety. The valuation of £3.500k was prepared in accordance with RICS guidelines.

10 Subsidiaries

The consolidated financial statements include the following subsidiaries:

Subsidiary	Date of acquisition	Registered address / business address	Nature of business	Shares held
UUG Holdings (No 2) Ltd (formerly LCCG Holdings (No 7) Limited)	18 Jan 2018 (incorporation date)	1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port, Guernsey	Investment holding	100% of issued share capital
UUG Holdings (No 3) Ltd (formerly LCCG Holdings (No 8) Limited)	18 Jan 2018 (incorporation date)	1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port, Guernsey	Investment holding	100% of issued share capital
UUG Holdings (No 1) Ltd (formerly LCCG UK (RL) Limited)	22 Jan 2018 (incorporation date)	5th Floor Saddlers House 44 Gutter Lane London	Investment holding	100% of issued share capital
Utmost Life and Pension Holdings Limited (formerly Reliance Life and Pensions Holdings Limited)	22 Mar 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Investment holding	100% of issued share capital
Utmost Life and Pensions Limited (formerly Reliance Life Limited)	22 Mar 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Life Insurance	100% of issued share capital
Utmost Life and Pensions Services Limited (formerly Reliance Life Services	22 Mar 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Service Company	100% of issued share capital
RMIS (RTW) Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Member settlements	100% of issued share capital
Reliance Unit Managers Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Unit Trust Management	100% of issued share capital
Reliance Pension Scheme Trustee Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Pension	100% of issued share capital
RL DormantCo Ltd	01 Apr 2018	Utmost House, 6 Vale Ave Tunbridge Wells, Kent England	Dormant	100% of issued share capital
Reliance Administration Services Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Administration	100% of issued share capital
FS Management Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Administration	100% of issued share capital

11 Investments in subsidiary undertakings

	Company 2018 £'000	Company 2017 £'000
Cost		
Balance at 1 January	**62,278**	62,278
Capital contributions during the financial year	**68,130**	-
Disposal during the financial year	**(64,408)**	-
Balance at 31 December	**66,000**	**62,278**
Revaluation		
At 1 January	**24,438**	29,131
Disposal during the year	**(24,438)**	-
Fair value movements in the year	**35,311**	(4,693)
Balance at 31 December	**35,311**	**24,438**
Carrying value	**101,311**	**86,716**

12 Business combinations

On 1 April 2018, pursuant to a High Court sanctioned Part VII transfer of business, ULP acquired substantially all the assets and liabilities of RMIS. On the same date ULP gained control of RMIS by becoming the sole member (by virtue of acquiring 100% of the voting rights) of that company and also acquired its subsidiaries which were transferred to ULPH at net asset value. Following the transfer RMIS remains a subsidiary of ULP and acts as a vehicle for payments to qualifying members for a period of five years and has no other liabilities. ULP used acquisition accounting for the purchase.

Under the terms of the Part VII transfer scheme an agreed amount of 'Transaction Proceeds' within the Non-Profit Fund were retained within RMIS (as member payment amounts) or paid across to the With-Profits Sub Fund 1 (WPSF1 share of surplus). The transaction proceeds of £47,300k were determined as the member payment amounts of £21,300k and the WPSF1 share of surplus of £26,000k.

For cash flow disclosure purposes the amounts disclosed are as follows:

	2018 £'000
Cash consideration	-
Less cash and cash equivalents acquired	71,700
Directly attributable costs	-
New cash inflow	71,700

The cash held at the transfer date by RMIS was £71,700k. Of this £21,300k was set aside in RMIS for payments to members and £4,700k was held to cover its solvency capital requirements. Following deauthorisation on 28 June 2018 the cash held to cover its solvency capital requirements was returned to ULP. The cash acquired figure above of £71,700k includes the £4,700k held to cover RMIS's solvency coverage requirements.

12 Business combinations (continued)

	Book value of net assets on acquisition £'000	Fair value/ accounting policy adjustments £'000	Fair values of net assets on acquisition £'000
Assets			
Financial investments	965,268	-	965,268
Assets held to cover linked liabilities	676,438	-	676,438
Cash at bank and in hand	71,732	-	71,732
Reinsurers' share of technical provisions	31,792	1,963	33,755
Prepayment and accrued interest	14,997	(337)	14,660
Other debtors	11,951	-	11,951
Fund for future appropriations ([1]FFA)	22,227	(22,227)	-
Property, plant and equipment	3,102	-	3,102
Investment in group undertakings	270	-	270
Deferred tax asset on pension liability	119	1,003	1,122
Acquired value of in-force long-term business	-	61,003	61,003
	1,797,896	**41,405**	**1,839,301**

	Book value of net assets on acquisition £'000	Fair value/ accounting policy adjustments £'000	Fair values of net assets on acquisition £'000
Liabilities			
Long-term business provision ([2]LTBP)	(968,062)	(25,143)	(993,205)
Technical provisions for linked liabilities	(676,505)	-	(676,505)
Fund for future appropriations([3]FFA)	(106,784)	35,737	(71,047)
Others creditors	(38,416)	-	(38,416)
Claims outstanding	(14,775)	4,900	(9,875)
Deposits received from other reinsurers	(6,797)	-	(6,797)
Provisions for other risks and charges	(1,941)	-	(1,941)
Defined benefit pension liability	(5,950)	(648)	(6,598)
	(1,819,230)	**14,846**	**(1,804,384)**
Consideration paid	-	-	-
Gain on bargain purchase	**21,334**	**(56,251)**	**(34,917)**

[1]FFA - balance is in respect of the Ordinary Sub Fund in RMIS which was written off at transfer. [2]LTBP adjustment is due to revised assumptions on technical Provisions on transfer. [3]FFA – is in respect of the With-Profits Sub Fund balance at transfer adjusted for the return of the WPSF1 share of surplus and revised assumptions on opening technical provisions.

The gain on bargain purchase recognised represents the excess of fair value of the assets and the purchase consideration on the acquisition of assets of RMIS. This has been recognised in the Statement of Comprehensive Income for the year.

The present value of acquired In-force business represents the excess of the fair value of the insurance contracts acquired on the acquisition of assets from RMIS over the value attributed to the acquired insurance contract liabilities under the Group’s accounting policies. The useful life of this asset at acquisition was 15 years, being the expected lives of the acquired contracts.

13 Acquired value of in-force business and other intangible assets

	Goodwill £'000	Consolidated Acquired value of in-force business £'000	Total £'000
Cost			
At beginning of the financial year	1,969	-	1,969
Additions on acquisition	-	61,003	61,003
Disposal on sale of subsidiary	(1,969)	-	(1,969)
At 31 December 2018	-	61,003	61,003
Amortisation during the year			
At beginning of the financial year	-	-	-
Amortisation during the year	-	(3,050)	(3,050)
At 31 December 2018	-	(3,050)	(3,050)
Net book values at 31 December 2018	**-**	**57,953**	**57,953**
Net book values at 31 December 2017	**1,969**	**-**	**1,969**

14 Financial assets

	Consolidated 2018 £'000	2017 £'000
Loans and deposits at amortised cost	**4,405**	60,513
Financial assets held at fair value through profit or loss		
Designated at initial recognition		
Equities	**213,092**	24,212
Fixed and variable income securities	**714,019**	109,604
Collective scheme investments	**-**	1,872,189
Investments in property structures	**-**	438
Derivatives (note 15)	**14,360**	280
Other	**-**	40,600
Assets held to cover linked liabilities	**619,812**	-
Total financial assets	**1,565,688**	2,107,836

15 Derivatives

Included within the Group's financial investments are a series of sterling receiver swap options and equity hybrid receiver swap options with a fair value of £14.4m (2017: £nil) that cost £15.2m (2017: £Nil). The contracts are not listed on a recognised exchange, but are valued at the amount at which the independent counterparty would be prepared to close out the options. Each series is exercisable on a single fixed date up until 2040. The effect of exercising sterling options at the exercise date would be to convert a fixed nominal amount of cash into a fixed interest asset. In the case of the equity hybrid receiver swap options, the amount of cash convertible into a fixed interest asset varies proportionately with the FTSE 100 Total Return Index subject to certain minima and maxima at the date of exercise. The cash which would be used to fund the swaps is the expected future coupon and redemption receipts from part of the fixed interest portfolio. Movements in fair value arise due to actual and perceived future movements in interest rates and the FTSE 100 Total Return Index and are reflected in the income statement. Fair value loss in the year amounted to £0.8m (2017: gain of £Nil).

Derivatives with a fair value of £0.3m relating to the Irish business disposed on 13 June 2018 were held at 31 December 2017.

16 Investment property

	Consolidated	
	2018	**2017**
	£'000	**£'000**
Fair value		
At beginning of the financial year	**21,389**	57,610
Disposals	**-**	(36,727)
Disposal on sale of subsidiary	**(21,389)**	
Fair value movements	**-**	(1,350)
Effect of foreign exchange rate changes	**-**	1,856
At end of the financial year	**-**	21,389

17 Other debtors

	Consolidated	
	2018	**2017**
	£'000	**£'000**
BNPP Collateral	**4,300**	-
Other assets	**53**	893
	4,353	**893**

The BNPP debtor above relates to cash collateral received under derivative arrangements with the counterparty BNP Paribas.

18 Reinsurance assets

	Consolidated	
	2018	**2017**
	£'000	**£'000**
Insurance contract receivables	**690**	11
Reinsurers share of insurance contract liabilities	**28,404**	424,083
	29,094	**424,094**

19 Liabilities to customers under insurance contracts

	Consolidated		Consolidated	
	Gross liabilities 2018 £'000	Reinsurers' share 2018 £'000	Gross liabilities 2017 £'000	Reinsurers' share 2017 £'000
Long term business provision as at 1 January	**594,880**	**424,083**	631,615	468,608
Additions on acquisition of subsidiaries	**993,205**	**33,755**	1,489	-
Disposal on sale of subsidiary	**(604,180)**	**(424,083)**		
Policyholder premiums	**(8,275)**	**-**	595	-
Policyholder claims	**62,820**	**(871)**	(153,747)	-
Interest credit/unwind of discount	**(87,278)**	**(3,018)**		
Change in longevity and mortality assumptions	**(37,681)**	**(24,178)**		
Other changes in liabilities	**(1,306)**	**(599)**	89,403	(64,151)
Effect of foreign exchange rate changes	**-**	**-**	25,525	19,626
Long term business provision as at 31 December	**912,185**	**5,089**	594,880	424,083
Long term reinsurance business provision	23,315			
Claims outstanding	9,300			
Total liabilities to customers under insurance contracts	**944,800**			

Net reinsurance balance of £5,089k comprises debtor of £28,404k and creditor £23,315k.

With profits investment contracts

Included within the long-term business provision are amounts of £6.9m (2017: £nil) relating to liabilities under with profits investment contracts, where there is no transfer of significant insurance risk. These investment contracts contain a discretionary participatory feature which entitles the holder to receive, as a supplement to the guaranteed benefits, additional benefits or bonuses through participation in the surplus arising from the assets held in the relevant investment with profits fund. These supplemental discretionary participatory returns are subject to the discretion of the Group. The Group has the discretion within the constraints of the terms and conditions of the instruments and UK regulation, to allocate the surplus to the contract holders.

20 Unallocated surplus

	Consolidated 2018 £'000	2017 £'000
At 1 January	**27,928**	24,145
Disposals on sale of subsidiary	**(27,348)**	-
Additions on acquisition of subsidiaries	**71,047**	3,674
Transfer (to) / from Statement of Comprehensive Income	**(7,348)**	-
Effect of foreign exchange rate changes	**-**	109
At 31 December	**64,279**	27,928

21 Liabilities to customers under investment contracts

	Unit-linked Investment contracts		Consolidated Unit-linked Insurance contracts		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	**1,894,930**	1,171,876	**-**	-	**1,894,930**	1,171,876
Acquired on 1 April 2018	**483,951**	-	**192,550**	-	**676,501**	-
Disposals on sale of subsidiary	**(1,894,930)**	-	**-**	-	**(1,894,930)**	-
Deposits/Premiums received	**1,516**	-	**1,390**	-	**2,906**	-
Change in long term business provision	**(10,401)**	2,331	**(8,558)**	-	**(18,959)**	2,331
Claims paid	**(32,060)**	(22,183)	**(10,084)**	-	**(42,144)**	(22,183)
Other changes in liabilities	**-**	684,194	**-**	-	**-**	684,194
Effect of foreign exchange rate changes	**-**	58,712	**-**	-	**-**	58,712
At 31 December	**443,006**	**1,894,930**	**175,298**	**-**	**618,304**	**1,894,930**

There were no linked liabilities under unit linked insurance contracts in 2017.

Financial liabilities in respect of unit linked investment contracts are carried in the Statement of Financial Position at amortised cost. The related fair value of these financial liabilities is £443.0m which is equivalent to the amount payable under the contract, based on the current fund value. The 2017 balance of £1,894.9m related to the Irish business transferred on 13 June 2018.

22 Borrowings from banks

	Consolidated	
	2018	2017
	£'000	£'000
Borrowings from banks at fair value	**-**	10,266

The borrowing from banks in 2017 related to the acquisition of the majority of investment properties on behalf of unit-linked policyholders, which were funded by borrowings. Borrowings from banks were advanced on a limited recourse basis, with the borrowings secured against the assets in which the Group has invested. These liabilities were disposed on sale of UIG2 on 13 June 2018.

23 Other liabilities

	Consolidated	
	2018	2017
	£'000	£'000
Tax payable - policyholders	**-**	257
Deferred income	**-**	14,761
Collateral held for swaptions counterparty	**4,300**	-
Tax and social security	**867**	92
Creditors arising out of direct insurance operations	**161**	1,611
Other liabilities	**974**	2,169
	6,302	18,890

24 Deferred taxation

	Consolidated	
	2018	**2017**
Deferred tax provisions:	**£'000**	**£'000**
Undiscounted deferred tax liabilities	**5,968**	-
Deferred tax assets	**(848)**	-
Net deferred tax liability	**5,120**	**-**

The table below shows the principal components on which the deferred tax arises.

	Consolidated	
	2018	**2017**
	£'000	**£'000**
Deferred tax asset on pension deficit	(1,028)	-
Acquired intangible asset	6,405	-
Losses carried forward asset	(346)	-
Liability for unrealised gains	89	-
Total provision for deferred tax	**5,120**	**-**

25 Share capital / Share premium

	Consolidated and Company	
	2018	**2017**
Allotted, called up and fully paid	**Number**	**Number**
Ordinary shares of £1 each	**75,001**	75,001
S ordinary shares of €1 each	**100**	100
Preference shares of €0.000001 each	**-**	85,500,000
Preference shares of £0.000001 each	**66,000,000**	-
	£'000	**£'000**
Ordinary shares of £1 each	**75**	75
S ordinary shares of €1 each	**-**	-
Preference shares of €0.000001 each	**-**	66,632
Preference shares of £0.000001 each	**66,000**	
	66,075	66,707

The movements in the financial year were as follows:

	Ordinary shares Number	S ordinary shares Number	€ preference shares Number	£ preference shares Number
At 1 January 2018	75,001	100	85,500,000	-
Issued/ (redeemed) during the year	-	-	(85,500,000)	66,000,000
At 31 December 2018	**75,001**	**100**	**-**	**66,000,000**

	Ordinary shares £'000	S ordinary shares £'000	€ preference shares £'000	£ preference shares £'000
At 1 January 2018	75	-	66,632	-
Issued/ (redeemed) during the year	-	-	(66,632)	66,000
At 31 December 2018	**75**	**-**	**-**	**66,000**

Share premium

The Company has in issue 66,000,000 (2017:Nil) Sterling preference shares of £0.000001 each, issued at a price of £1.00 per share. At 31 December 2017 the Company had 85,500,000 Euro preference shares of €0.000001 each issued for €1.00 per share, which were redeemed by the Company at par on 13 June 2018.

26 Other reserves

	Consolidated	
	2018	**2017**
	£'000	**£'000**
Available for sale reserve		
At 1 January	(638)	(529)
Movement in available for sale reserve	638	(109)
At 31 December	**-**	**(638)**
Investment foreign currency translation reserve		
At 1 January	13,905	8,096
Movement in foreign currency translation reserve	(13,905)	5,809
At 31 December	**-**	**13,905**
Other reserves as at 31 December 2018	**-**	**13,267**
Other reserves as at 31 December 2017	**13,267**	**7,567**

27 Reconciliation of profit to cash flows

	Consolidated		Company	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Profit /(loss) before tax for the year	**33,117**	**(4,468)**	**17,833**	(1,938)
Non-cash movements				
Tax charge	**(4,307)**	-	**-**	-
Depreciation	**-**	163	**-**	-
Revaluation of property	**(350)**	-	**-**	-
Interest income on available for sale assets	**-**	(47)	**-**	-
Changes in fair value of investments in subsidiaries	**-**	-	**(35,311)**	4,693
Foreign exchange movements	**-**	-	**-**	(2,827)
Gain on bargain purchase	**(34,917)**	1,603	**-**	-
Loss on disposal of subsidiaries	**19,248**	-	**17,458**	-
Amortisation of AVIF	**3,050**	-	**-**	-
Change in unallocated surplus	**(7,348)**	2,733	**-**	-
Change in operating assets and liabilities				
Increase in investment contract and insurance contract liabilities	**(110,555)**	661,216	**-**	-
Net movement in financial assets	**74,049**	(690,054)	**-**	-
Change in working capital	**(20,786)**	(8,742)	**(11)**	(3)
Net cash flows (used in) operating activities	**(48,799)**	(37,596)	**(31)**	(75)

28 Capital management

The Group's regulated insurance company, ULP, is required to hold capital at a level of financial resources that do not fall below a minimum as determined in accordance with the PRA regulations and EU directives for insurance and other PRA regulated business.

For the purposes of determining its Regulatory Capital, ULP uses the Solvency II Standard Formula without adjustment. The appropriateness of the Standard Formula approach has been reviewed by management and actuarial functions and approved by the Board.

The capital of ULP comprises ordinary shares, loan capital and retained earnings. The loan capital between ULPHL and ULP qualifies as Tier 2 capital under Solvency II.

On 23 March 2018, ordinary share capital and loan capital was provided by the Group to ULP in advance of the acquisition of business by ULP from RMIS, effective 1 April 2018, and the increase in ULP’s regulatory capital obligations arising therefrom.

In order to reconcile capital or available financial resources within ULP on a IFRS basis to a Solvency II basis, a number of adjustments are required. In addition to Solvency II limits applicable to Tier 2 capital, adjustments include deductions for inadmissible assets, valuation differences on policyholder liabilities, including prudent margins required on a regulatory basis, the impact of transitional measures (relevant to Solvency II only), and deferred tax arising on these adjustments.

The Group seeks to ensure its insurance undertakings have a solvency coverage ratio ('SCR") (Own funds / Solvency Capital Requirement) in excess of 135% at all times, and targets a solvency capital ratio of at least 150% immediately after a payment of a dividend or loan interest.

28 Capital management (continued)

The SCR coverage of ULP at 31 December 2018 was 178%.

The level of capital (at both a sub-fund and overall ULP Company level) required to maintain alignment with ULP's solvency related risk appetite limits provides a direct link between risk appetite and capital management. If the current level of capital coverage falls below the target solvency coverage ratios, this will indicate that ULP is outside risk appetite.

The approach to capital management is closely linked to the Group's risk appetite, since many of the most material risk exposures have the potential to lead to significant adverse capital impacts on its Statement of Financial Position. The Group considers its risk appetite in context of the Solvency II regulatory regime by maintaining a capital buffer above its Solvency II regulatory Solvency Capital Requirement ('SCR'). The SCR reflects a level of financial resources that enable insurance undertakings to absorb significant losses and provide reasonable assurance to its policyholders that payments will be made as they fall due.

The Group continually manages and monitors its capital position from a regulatory perspective, by reference to the performance of its assets and liabilities and by giving due consideration to:

i) its internal view of the operational and financial risks to which it is exposed, both now and over the business;
ii) the capital needed to support delivery of the business plan and make progress towards ULP's long-term strategic objectives; and
iii) its regulatory capital requirements.

For further information on ULP's approach to risk and capital management and on its regulatory capital, users can refer to the "Solvency & Financial Condition Report (SFCR)", which is available on the Utmost Life and Pensions website www.utmost.co.uk.

29 Pension costs

Defined benefit scheme
On 1 April 2018 and as part of the business transfer agreement all assets and liabilities of the scheme were transferred from RMIS to ULP, at which date ULP became the principal employer to the defined benefit pension scheme.

The scheme has been closed to future accrual since June 2010. The last full valuation of the scheme was carried out as at 1 April 2016 and this was updated on 31 December 2016 by qualified independent actuaries. Following a re-assessment of the funding position as at 31 December 2017 to allow for additional benefits that potentially need to be provided by the scheme but which were not recognised in the actuarial valuation at 1 April 2016, the Trustee of the scheme and RMIS (as previous employer) agreed that a revised payment total of £253k per quarter to cover the deficit would be payable commencing in April 2017 and ending in Q3 2026. This continues to be adopted by ULP.

During the period from 1 April 2018 to 31 December 2018 ULP made contributions (including deficit funding) of £0.8m (2017: £nil).

29 Pension costs

The principal actuarial assumptions at the year-end were as follows;

	Consolidated 2018 %	2017 %
Discount rate	2.9	-
RPI inflation rate	3.4	-
CPI inflation rate	2.6	-
Increases to pensions in deferment:		
Pre 6 April 2009 – (CPI/5%) and post 6 April 2009 – (CPI/2.5%)	*	-
Pension increases for pensions accrued:		
Pre 88 GMP- (nil) and post 88 GMP – (CPI/5%)	*	-
Pre 6 April 1997 – (RPI/3%) and post 5 April 1997 – (RPI/5%)	*	-
Commutation	20%**	-

*Consistent with inflation curves and relevant floors and caps
** of pension using commutation factors that are currently in force

Pre and post-retirement mortality:		
base table	S2PXA	-
mortality projections	CMI 2017	-
long term rate of improvement	1.75(M)	-
	1.5(F)	-

	Consolidated 2018 years	2017 years
Life expectancies from age 65:		
Male currently aged 65	22.3	-
Female currently aged 65	24.0	-
Male currently aged 45	24.3	-
Female currently aged 45	25.8	-

29 Pension costs (continued)

Defined benefit scheme

Reconciliation of funded status to Statement of Financial Position:

	Consolidated 2018 £'000	2017 £'000
Defined benefit obligation	(32,904)	-
Fair value of plan assets	29,520	-
Net defined benefit liability before allowance for onerous liability	**(3,384)**	-
Effect of onerous liability	(2,665)	-
Net defined benefit liability after allowance for onerous liability	**(6,049)**	**-**

Assets	**Consolidated**		**Consolidated**	
	2018	**2018**	**2017**	**2017**
	£'000	**% weight**	**£'000**	**% weight**
Diversified growth funds	**11,316**	38.3	-	-
Liability matching funds	**18,047**	61.1	-	-
Cash/other	**157**	0.6	-	-
Total	**29,520**	**100**	**-**	**-**

Analysis of Statement of Comprehensive Income charge:

	Consolidated 2018 £'000	2017 £'000
Net interest expense	117	-
Pension scheme expenses (excluding investment related expenses)	137	-
Past service cost	609	-
Total pension expense recognised in Statement of Comprehensive	**863**	**-**

Reconciliation of defined benefit obligation over the year:

	Consolidated 2018 £'000	2017 £'000
Defined benefit obligation at start of the year	-	
Transfer from RMIS 1 April 2018	(36,589)	-
Interest expense on defined benefit obligation	(679)	-
Remeasurement- effect of experience adjustments gain	383	-
Remeasurement- effect of changes in financial assumptions gain	2,771	-
Remeasurement-effect of demographic assumptions gain	1,351	-
Benefits paid	468	-
Past service cost	(609)	-
Defined benefit obligation at the end of the year	**(32,904)**	**-**

29 Pension costs (continued)

Reconciliation of fair value of plan assets over the year:

	Consolidated 2018 £'000	2017 £'000
Fair value of plan assets at the start of the year	-	-
Transfer from RMIS	30,639	-
Interest income on plan assets	574	-
Remeasurement – loss on plan assets excluding interest income	(1,846)	-
Contributions by ULP	758	-
Benefits paid	(468)	-
Pension scheme expenses (excluding investment related expenses)	(137)	-
Fair value of plan assets at the end of the year	**29,520**	**-**
Loss on plan assets	**(1,272)**	**-**

Reconciliation of asset ceiling / onerous liability over the year:

	Consolidated 2018 £'000	2017 £'000
Onerous liability at start of the year	-	
Transfer from RMIS 1 April 2018	**(648)**	-
Interest expense	**(12)**	-
Remeasurement – change in onerous liability excluding interest loss	**(2,005)**	-
Onerous liability at the end of the year	(2,665)	-

Remeasurements recognised in Other Comprehensive Income (OCI)

	Consolidated 2018 £'000	2017 £'000
Remeasurement – effect of experience adjustments gain	**383**	-
Remeasurement – effect of changes in assumptions gain	**4,122**	-
Remeasurement – return on plan assets excluding interest income loss	**(1,846)**	-
Remeasurement – change in onerous liability excluding interest loss	**(2,005)**	-
Total remeasurement gain recognised in OCI	**654**	**-**

Reconciliation of funded position:

	Consolidated 2018 £'000	2017 £'000
Net defined benefit (liability)/asset at start of the year	-	-
Expense recognised in Statement of Comprehensive	**(863)**	-
Gain recognised in OCI	**654**	-
Transfer of assets and liabilities from RMIS 1 April 2018	**(6,598)**	-
Contributions by ULP	**758**	-
Net defined benefit liability at end of the year	**(6,049)**	**-**

30 Management of financial risk

The Group holds contracts that transfer insurance risk and financial risk. The Group is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. This section summarises these risks and the way the Group manages them:

(a) Underwriting risk

The risk that under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim.

The Group's most material underwriting risk exposures in terms of risk capital are longevity risk (which arises primarily on the Group's significant in-force book of in-payment annuities), expense risk (which arises because the majority of the Group's operational activity is carried out in-house), and persistency and option take-up risk (which arises primarily on the large block of in-force unit-linked business).

The Group manages these risks primarily at level of ULP by:

Setting and monitoring appropriate risk appetite limits;
The amount of economic capital it holds;
Use of reinsurance;
Assumption setting;
Claims underwriting; and
Cost control & Budget reforecasting.

The long-term business provisions are sensitive to the assumptions used in respect of these risks, which are set periodically by the Board with appropriate levels of prudence based on analysing actual experience.

Whilst the impact of a short-term variation in the experience would not be especially material, if these assumptions were to be changed then this would impact on the long-term business provisions, which would generate a profit or a loss in the calendar year in which the change to assumptions was applied.

The table below shows the increase in long-term business provisions (and therefore the loss that would be incurred) if the assumptions were to be changed as follows:

Sensitivities:	**Loss**
5% increase in Guaranteed Annuity Option take-up rates	£1.7m
10% decrease in annuitants mortality rates	£9.9m
10% increase in expenses and 1% increase in expense inflation	£31.4m

(b) Market risk

Market risk arises from the possibility that the value or cash flows of the Group's assets and liabilities fluctuate as a result of the movements in market prices. The principal components of market risk is interest rate.

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims costs are related to interest rates, liabilities to policyholders are exposed to interest rate risk. Insurance and non-participating investment contracts have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Group's primary financial risk on these contracts is the risk that the interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

30 Management of financial risk (continued)

(b) Market risk (continued)

The Group's assets and best estimate liabilities are well matched, however the presence of the Risk Margin within the Technical Provisions introduces significant Statement of Financial Position sensitivity to changes in interest rates. In addition, movements in interest rates, by increasing or decreasing the value of assets and liabilities, have significant secondary impacts on other SCR capital requirements.

The Group manages these risks primarily

Setting and monitoring appropriate risk appetite limits;
The amount of economic capital it holds;
Asset Liability Management;
Investment Guidelines - Limit Structures; and
Capital Management of with-profits sub funds ('WPSFs').

Interest rates are used to discount the value of liabilities and also affect the value of fixed interest and index-linked assets. The value of assets and liabilities generally move in a similar manner but to the extent that the liability cash flows are not perfectly matched by asset cash flows, there will be some profit or loss that emerges when interest rates change.

If interest rates were to increase by 0.5%, the net impact of the change in assets and liabilities would be a profit in the year of £2.6m.

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Assessed in terms of undiversified risk capital, spread risk is the most material credit risk to which the Group is currently exposed. However, the Group's Statement of Financial Position would also be significantly affected if one or more of its material counterparty exposures were to default. All of these risks primarily arise due to the significant holdings of corporate bonds which are used to back the Group's large block of in-payment annuities.

The Group manages these risks primarily at the level of ULP by:

Setting and monitoring appropriate risk appetite limits;
The amount of economic capital it holds;
Investment Guidelines - Limit Structures;
Asset Optimisation;
Matching Adjustment; and
Collateral Arrangements.

30 Management of financial risk (continued)

(c) Credit risk (continued)

The assets bearing credit risk are summarised below, together with an analysis by credit rating.

	2018 £'000	2017 £'000
Non-linked assets subject to credit risk		
Sovereign debt	207,131	-
AAA	1,538	-
AA	101,916	-
A	191,889	-
BBB	141,829	-
BB and below or not rated	116,885	-
Total assets bearing credit risk	**761,188**	**-**
Derivative financial instruments	14,360	-
Debt securities	714,019	-
Loans & receivables	712	-
Assets arising from reinsurance contracts held	28,404	-
Deposits with credit institutions	3,693	-
Total assets bearing credit risk	**761,188**	**-**

Reinsurance has been included with those non-linked assets with a credit rating AA or A. This was considered appropriate in light of the reinsurers' credit rating.

To restrict the loss that would be incurred by the failure of another party to fulfil its obligations under the derivative contract, a collateral account is held. The counterparty is contractually required to pledge collateral when the value of the option exceeds £10m with a transfer threshold of £0.5m. The account is assessed on close of day values and rebalanced the next day subject to the threshold limit.

(d) Operational risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due.

30 Management of financial risk (continued)

(d) Operational risk (continued)

The Group is exposed to a range of risks through its operational processes. The Group has identified eight operational risk categories:

Business Operations
Financial / Actuarial
Legal / Regulatory (including Conduct)
Governance
People
IT
Financial Crime
External

All operational risks identified by the Group are allocated to one of these categories. All material operational risk exposures are recorded in the Group's Governance, Incident, Risks and Controls ('GIRC') system and are allocated a first line risk owner. The Group manages these risks primarily at the level of ULP by:

Setting and monitoring appropriate risk appetite limits;
The amount of economic capital it holds;
Individual controls;
Control Processes & Policies;
Management and Monitoring;
Compliance Monitoring; and
Root Cause Analysis.

(e) Liquidity risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due. This is managed by weekly cash forecasts and also by holding sufficient cash and other assets in investments which are readily marketable in a sufficiently short timeframe to be able to settle benefits as they fall due. As such this is not a principal risk to the Group.

Annuities in payment, which form the bulk of the non-linked contracts in-force may not be surrendered or transferred at the policyholder's option. With trivial exceptions, all other policies include the right to surrender or transfer the policy on demand, with the surrender or transfer value calculation method being determined by the policy conditions. The majority of such contracts are unit linked, where the liabilities are matched by assets held in internal linked funds. In the property funds, the Group has the right to defer payment of surrender or transfer values by up to six months.

The investment contracts that are not unit-linked have a maximum outstanding duration of five years and are backed by fixed term deposits or short dated fixed interest securities matching the outstanding duration.

30 Management of financial risk (continued)

(e) Liquidity risk (continued)

The table below provides a maturity analysis of the Group's financial liabilities. As noted above this excludes annuities as they cannot be surrendered or transferred at the policyholder's option. These amounts disclosed in the table represent undiscounted cash flows:

	Consolidated		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Liabilities				
On demand	**463,599**	218,428	5	19
Up to one year	**3,507**	-	-	-
Between 1 and 5 years	**1,253**	587,931	-	-
After 5 years	**5,265**	1,743,547	-	-
Total financial liabilities with a maturity profile	**473,624**	**2,549,906**	**5**	**19**

(f) Brexit

There remains uncertainty around the terms under which the UK will leave the EU. Although Brexit is not expected to have a significant impact on the Group's operational activity, the uncertainty leads to lack of clarity on how the EU and UK will interact in the future and the impact on financial services. It also could lead to volatility in financial markets, which can increase certain risks. The group has in place controls to minimise the impact of any volatility.

31 Fair value disclosures

For financial instruments held at fair value in the Statement of Financial Position, the fair value measurements by level of the following fair value measurement hierarchy are:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

31 Fair value disclosures (continued)

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2018:

Consolidated Assets at Fair Value as at 31 December 2018

	Carrying amounts	Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
Assets	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
- Investments in property structures	-	-	-	-
Shares and other variable-yield securities	213,092	-	208,602	4,490
Debt securities and other fixed income securities	714,019	-	714,019	-
Derivative financial investments	14,360	-	-	14,360
	941,471	-	922,621	18,850
Financial assets held to cover linked liabilities	607,456		605,202	2,254
	1,548,927	**-**	**1,527,823**	**21,104**
Liabilities				
Borrowings from banks	-	-	-	-
Total Liabilities At Fair Value	**-**	**-**	**-**	**-**

Company Assets at Fair Value as at 31 December 2018

Assets				
Investments in subsidiaries	101,311	-	-	101,311
Deposits with banks	18	-	18	-
	101,329	**-**	**18**	**101,311**

The following tables present the Group's and Company's assets measured at fair value at 31 December 2017.

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

	Carrying amounts	Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Assets				
Investment property	21,389	-	-	21,389
	21,389	-	-	21,389
Financial assets at fair value through profit or loss				
- Investments in property structures	438	-	-	438
Shares and other variable-yield securities	1,896,401	413,620	1,428,756	54,025
Debt securities and other fixed income securities	280	-	280	-
Derivative financial investments	27,914	6,258	21,656	-
	1,925,033	419,878	1,450,692	54,463
Available for sale assets	-	-	-	-
Debt securities	81,691	81,691	-	-
Other	40,600	-	40,600	-
Total Assets At Fair Value	**2,068,713**	**501,569**	**1,491,292**	**75,852**

31 Fair value disclosures (continued)

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

	Carrying amounts	Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
Liabilities	£'000	£'000	£'000	£'000
Borrowings from banks	10,266	-	10,266	-
Total Liabilities At Fair Value	**10,266**	**-**	**10,266**	**-**

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

Assets				
Investments in subsidiaries	86,716	-	-	86,716
Deposits with banks	2,178	-	2,178	-
	88,894	**-**	**2,178**	**86,716**

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date. If observable prices are available for recent arm's length transactions, the instrument is included in Level 2. 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 it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques include

- The use of observable prices for recent arm's length transactions.
- Quoted market prices or dealer quotes for similar instruments. In particular, for corporate bonds for which there is no active market the fair value is based on broker/dealer price quotations. Where this information is not available or where it is considered to be not representative of fair value, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

The following table presents the change in level 3 instruments for the year:

	Investments in property structures £'000	Shares, variable yield securities & unit trusts £'000	Derivatives £'000	Other financial assets £'000	Total level 3 assets £'000
At 1 January 2018	438	54,025	-	-	54,463
Acquired 1 April 2018	-	4,933	21,890	3,314	30,137
Elimination on disposal of subsidiary	(438)	(54,025)	-	-	(54,463)
Gains and losses recognised in Statement of Comprehensive Income	-	(182)	(1,351)	(624)	(2,157)
Assets sold/matured in the year	-	(261)	(6,179)	(436)	(6,876)
At 31 December 2018	**-**	**4,490**	**14,360**	**2,254**	**21,104**

32 Related parties and material transactions

Transactions with key management personnel
Key management personnel comprise persons who, at any time during the financial year ended 31 December 2018, were members of the Board of Directors and certain members of management.

Two directors Paul Thompson and Ian Maidens have equity interests in certain parent company entities. (See note 35).

Key management compensation for the Group for the year includes salaries and short term benefits of £1,935k and post employment benefits of £112k, of which £1,091k in total relates to the Irish business up to 13 June 2018 which was transferred to UIGH. In 2017, compensation to key management totalled £1,912k relating wholly to the Irish business.

Transactions with group companies

The Group has 3 intra-group loans in place as at 31 December 2018 summarised as follows:

1. A £35m Tier 2 loan between UUG Holdings (No 3) Limited, the Guernsey-based parent of UUG Holdings (No 1) Limited, and UUG Holdings (No 1) Limited;
2. UUG Holdings (No 1) Limited then issued £35m of senior debt to Utmost Life and Pensions Holdings Limited;
3. Utmost Life and Pensions Limited then drew down a £35m Tier 2 Loan from Utmost Life and Pensions Holdings Limited, which qualifies as regulatory capital in ULP under Solvency II regulations and is included within own funds.

As at 1 April 2018, all of these facilities had been fully utilised. The payment of interest due in September 2018 was made in full for all loans. The exact structure of any debt would influence the classification for own funds purposes. The loans mentioned in items 1 and 3 above are subordinated liabilities; the loan in item 2 is classified as senior debt.

All of these loans have a maturity date of 23 March 2029 and a coupon rate of 7% per annum, the terms and conditions of which would allow the loans to be treated as Tier 2 capital under the regulations. This facility was fully utilised on 24 March 2018.

33 Immediate parent and ultimate controlling party

The Company's immediate parent is Life Company Consolidation Group (No 1) Ltd. The ultimate parent Company which maintains a majority controlling interest in the group is recognised by the Directors as OCM LCCG Holdings Limited, a Cayman incorporated entity. OCM LCCG Holdings Limited is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management, L.P., a subsidiary of the ultimate controlling party Oaktree Capital Group LLC.

34 Provisions, contingent liabilities and commitments

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

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

35 Directors' and Company Secretary's interests

At 31 December 2018 the Directors and Company Secretary in office, and their spouses and minor children, had no beneficial interests in the shares of the Company. The Directors' interests in the Company and parent entity as at 31 December 2018 and as at 31 December 2017 are detailed below:

		Paul Thompson	Ian Maidens
As at 31 December 2018			
Life Company Consolidation Group (No 1) Ltd	A ordinary shares	639	639
Life Company Consolidation Group (No 1) Ltd	B ordinary shares	7,500	7,500
Utmost UK Group Holdings Ltd	Preference shares - GBP	401,599	401,599
Utmost UK Group Holdings Ltd	S shares	50	50
As at 31 December 2017			
Life Company Consolidation Group (No 1) Ltd	A ordinary shares	1,345	1,345
Life Company Consolidation Group (No 1) Ltd	B ordinary shares	6,875	6,875
Utmost UK Group Holdings Ltd	Preference shares - EUR	1,195,038	1,195,038
Utmost UK Group Holdings Ltd	S shares	50	50

36 Events after the year end date

The Company changed its name from LCCG Holdings (No 1) Limited to Utmost UK Group Holdings Ltd on 30 January 2019.