UTMOST WORLDWIDE LIMITED (FORMERLY GENERALI WORLDWIDE INSURANCE COMPANY LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

Registered Number: 27151

Registered Address:

Utmost House
Hirzel Street
St Peter Port
Guernsey
GY1 4PA

The Directors present their annual report and financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITY
The principal activity of Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited) ("the Company") is the sale of insurance and investment linked insurance products.

Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited) was incorporated in Guernsey as a limited liability company on 17 August 1993, as Generali Worldwide Insurance Company Limited, the name changed to Utmost Worldwide Limited subsequently due to the acquisition of the Company by the Utmost Group on 28 February 2019. The Company has been operating as a licensed insurer for over 25 years. The Company is composed of two distinct business units, Wealth Management and Employee Benefits.

The Wealth Management unit ("Utmost Wealth Solutions") specialises in providing insurance-based unit linked savings and investment products targeted towards the internationally mobile expatriate market. Through its Employee Benefit unit ("Utmost Corporate Solutions"), the Company provides insurance products and services to employers of all sizes; this includes corporate and personal medical insurance plans, business travel assurance, life and disability cover and pension and savings products.

From a geographic perspective, the Company has operations in Guernsey (Head Office), Hong Kong, the Republic of Ireland, Singapore, Switzerland, Cayman and The Bahamas.

It operates in accordance with the provision of The Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002. The Company is licensed under the Insurance Business (Bailiwick of Guernsey) Law, 2002 as amended, by a Category A permit, under Article 6 of the Insurance Business (Jersey) Law, 1996, under Insurance Act (Chapter 142) in Singapore, Insurance Ordinance (Cap 41) in Hong Kong, Insurance Law 2010 in Cayman, Insurance Act 2008 in BVI, Insurance Act Chapter 347 in The Bahamas and the Insurance Act in Switzerland.

The Company's high-level strategic objectives and its approach to achieving those are detailed below:

Objective	Action
Achieve sustainable and growing profitability while optimising capital usage	Growth is to be achieved through expanding the number of territories in which the Company has regulated operations via which to provide products. Alongside this, the Company strives to ensure its product range is both attractive to potential customers and not, from a regulatory solvency perspective, capital intensive.
Operate in admitted markets ensuring compliance with local regulations	The Company ensures that its products are issued on an "admitted basis" i.e. that the policies are issued in accordance with local regulatory requirements.
Offer simpler and smarter solutions for our customers	The design of simpler products alongside enhancements to the Company's online functionality are under active development.
Adhere to a corporate governance framework which is aligned with stakeholder requirements	The Company maintains an appropriate framework of delegated authority, oversight and control for all of its activities.

GOVERANCE FRAMEWORK

The Board is the governing body of the Company. It sets strategy and ensures that the necessary financial and human resources are in place for the Company to meet its strategic objectives. Furthermore, it provides leadership of the organisation within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board also retains oversight of management performance in addition to setting the Company's high-level policies and behavioural standards (for example through the company Code of Conduct).

Certain duties are delegated by the Board to both Board Committees and Management, with robust reporting mechanisms in place to facilitate oversight and challenge.

The Company's control framework is structured using the "three lines of defence" model. This constitutes a first line of business functions that own and manage risks, a second line of oversight functions (compliance and risk management) and a third line providing independent assurance (internal audit).

ENTERPRISE RISK MANAGEMENT

The Company's risk management system is detailed in policies and guidelines adopted prior to the acquisition of the Company by the Utmost Group of Companies and these will remain in place until modified by the Board.

The risk identification process aims to ensure that all material risks to which the Company is exposed are properly identified, such as financial risks, credit risk or operational risks. For that purpose, the Company relies on a process called Main Risk Self-Assessment. Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement or risks. The risk management is described in additional policies, depending on the nature of the risk, defining, among others, risk appetite and risk tolerance, monitoring and escalation processes as well as roles and responsibilities. The Risk Management function of the Company is responsible for the overall risk profile monitoring and reporting to the Board of Directors, Senior Management and Risk Owners. The internal risk reporting includes for example ORSA Reporting, results on stress tests and risk trends.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted in the European Union, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those 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 and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors 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 enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

RESULTS

The state of affairs of the Company as at 31 December 2018 is set out on page 7. The results for the year are set out in detail on page 8 and the cash flows are set out on page 11.

DIVIDEND

The Board resolved on 29 March 2018 to approve a dividend of €371.368M (2017 €27.422M) to Participatie Maatschappij Graafschap Holland NV (PMGH) and the balance of €6.388M, net of interest and the receivable from PMGH as at 31 December 2017 (as disclosed in note 32i.), was paid on 4 May 2018.

EXTRAORDINARY EVENTS

An agreement for the proposed acquisition of the Company by the Utmost Group of Companies (formerly the Life Company Consolidation Group) from the Assicurazioni Generali Group (the "Generali Group") was announced on 19 July 2018. Following regulatory approvals, the acquisition process completed on 28 February 2019 at which point control of the Company passed to the Utmost Group of Companies (the "Utmost Group") and the name of the Company changed from Generali Worldwide Insurance Company Limited to Utmost Worldwide Limited.

Additional changes that took place on 28 February 2019 include a redenomination of the Company's share capital from Euro to Sterling (the Company's authorised share capital now consists of 150,000,000 £1 Ordinary shares of which 100,230,698.82 are in issue), alongside certain changes to the Company's Board of Directors, which are detailed on the next page.

DIRECTORS AND COMPANY SECRETARY

The Directors of the Company are:

Giorgio Daboni	
Vic Holmes	
Ian Maidens	appointed 28 February 2019
Leon Steyn	appointed 28 February 2019
Mark Thompson	appointed 28 February 2019
Paul Thompson	appointed 28 February 2019
Ludovic Bayard	resigned 28 February 2019
Francesco Bosatra	resigned 28 February 2019
Alessandro Corsi	resigned 28 February 2019
Andy Smart	resigned 28 February 2019

None of the Directors in position during the financial year had any beneficial interest in the share capital of the Company during the financial year.

The Secretary of the Company during the year was:

Tom Martel

INDEPENDENT AUDITORS

The appointment of the auditors will be considered at the next Annual General Meeting.

By order of the Board

Director

Director

Date 8 April 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited).

Opinion

We have audited the financial statements of Utmost Worldwide Limited (the "Company") for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes 1 to 33 to the financial statements. The financial reporting framework that has been applied in their preparation is the applicable law and International Financial Reporting Standards as adopted in the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report but does not include the financial statements or our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Matters for which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002 require us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- any transaction, other than a transaction in the normal course of business, has resulted in the statement of financial position showing a situation materially different from that which would otherwise have obtained and which is not adequately disclosed in the financial statements; or
- the information given in the annual return prepared pursuant to section 33 of the Insurance Business (Bailiwick of Guernsey) Law, 2002 is inconsistent with the financial statements for the year to which that annual return relates.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 1 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Guernsey
Channel Islands
Date:

Notes:

1. The maintenance and integrity of the Utmost Worldwide Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UTMOST WORLDWIDE LIMITED (FORMERLY GENERALI WORLDWIDE INSURANCE COMPANY LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

All amounts in €000 unless otherwise stated

	Note	2018	2017 *restated
Assets			
Intangible assets	5	2,813	4,358
Tangible assets	6	1,374	1,517
Investments			
Held for sale financial asset		-	19,954
Investments in subsidiaries and associates	7	300	300
Financial assets at fair value through profit & loss	8.1	4,082,395	*4,372,545
Financial assets at fair value through OCI	8.2	283,803	*284,472
Amount ceded to reinsurers from insurance provisions	15	92,043	97,396
Receivables including insurance receivables	9	28,927	488,668
Retirement Benefit Asset	19	3,796	2,438
Cash and cash equivalents	11	57,585	48,258
Accrued income and prepayments	12	13,679	14,582
Total Assets		**4,566,715**	**5,334,488**
Equity and liabilities			
Issued share capital	13	346,903	346,903
Revenue reserves	14	88,753	*389,386
Other reserves	14	195	*21,222
Total Equity		**435,851**	**757,511**
Insurance provisions	15	735,392	738,910
Financial Liabilities			
Financial liabilities at fair value through profit & loss	16	3,196,013	3,531,794
Payables including insurance payables	17	156,890	260,545
Accruals and deferred income	18	42,569	45,728
Total liabilities		**4,130,864**	**4,576,977**
Total Shareholders' Equity and Liabilities		**4,566,715**	**5,334,488**

*restated reference IFRS 9

Approved by the Board on 8 April, 2019

Director

Director

The notes on pages 12 to 85 are an integral part of these financial statements

UTMOST WORLDWIDE LIMITED (FORMERLY GENERALI WORLDWIDE INSURANCE COMPANY LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts in €000 unless otherwise stated

	Note	2018	2017 *restated
Earned premiums	20	152,119	148,812
Premiums ceded to reinsurers	20	(84,542)	(72,676)
Net insurance premium revenue		67,577	76,136
Interest and other investment income		1,892	*999
Gains on disposal from subsidiaries and associates	21	37,251	175,806
Net income / (expense) from investments	22	20,479	*(66,387)
Net fair value loss on derecognition of FA at FVOCI	22	(1,118)	(99)
Fee and commission income related to investment contracts		56,183	66,038
Income / gain on disposal of derivatives	10	-	20,526
Gain on disposal of investments		-	142,096
Other income		2,092	3,968
Total income		184,356	*419,083
Gross benefits and claims paid	23	(125,245)	(117,911)
Claims ceded to reinsurers	23	50,319	36,188
Gross change in contract liabilities	23	18,767	(13,870)
Change in contract liabilities ceded to reinsurers	23	(11,574)	19,270
Interest expense	24	(43)	(56)
Expenses for the acquisition of insurance and investment contracts		(26,913)	(33,446)
Administration costs	25	(36,840)	(35,465)
Exchange losses		(106)	(11,081)
Other expenses		(1,403)	(1,374)
Profit before tax		51,318	*261,338
Income taxes	27	1	(609)
Profit for the year		51,319	*260,729
Other comprehensive income			
Change in fair value of financial assets at FVOCI		(4,427)	*(1,652)
Amount reclassified to profit or loss		1,118	*99
Increase in reserve for share based payments		378	515
Re-measurements on pension liabilities	19	1,320	3,395
Total comprehensive income for the year		49,708	263,086

*restated reference IFRS 9

The notes on pages 12 to 85 are an integral part of these financial statements

UTMOST WORLDWIDE LIMITED (FORMERLY GENERALI WORLDWIDE INSURANCE COMPANY LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts in €000 unless otherwise stated

	Issued Share Capital	Share Premium	Financial Assets at FVOCI	Currency Translation Reserve	Defined Benefit Plan Reserve	Non-Distributable Reserve	Revenue Reserve	Total Equity
As at 1 January 2018	**346,903**	**-**	**(2,092)**	**(631)**	**(2,325)**	**26,270**	**389,386**	**757,511**
Solvency reserve						(19,176)	19,176	**-**
Net unrealised loss on financial assets at FVOCI			(4,427)					**(4,427)**
Net realised loss on financial assets at FVOCI			1,118					**1,118**
Re-measurement reserve arising from Defined Benefit Plan					1,320			**1,320**
Change in liabilities for investment contracts with DPF						138	(138)	**-**
Increase of reserve for share based payments							378	**378**
Profit for the year 2018							51,319	**51,319**
Total comprehensive income	**-**	**-**	**(3,309)**	**-**	**1,320**	**(19,038)**	**70,735**	**49,708**
Dividend							(371,368)	**(371,368)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(371,368)**	**(371,368)**
At 31 December 2018	**346,903**	**-**	**(5,401)**	**(631)**	**(1,005)**	**7,232**	**88,753**	**435,851**

The notes on pages 12 to 85 are an integral part of these financial statements

UTMOST WORLDWIDE LIMITED (FORMERLY GENERALI WORLDWIDE INSURANCE COMPANY LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts in €000 unless otherwise stated

	Issued Share Capital	Share Premium	Available for Sale Assets	Financial Assets at FVOCI	Currency Translation Reserve	Defined Benefit Plan Reserve	Non-Distributable Reserve	Revenue Reserve	Total Equity
As at 1 January 2017	**86,733**	**294,958**	**121,757**	**-**	**(631)**	**(5,720)**	**32,116**	**287,592**	**816,805**
Effect of adoption of IFRS 9			(121,757)	(539)				122,296	**-**
As at 1 January 2017 (restated)	**86,733**	**294,958**	**-**	**(539)**	**(631)**	**(5,720)**	**32,116**	**409,888**	**816,805**
Solvency reserve							(5,406)	5,406	**-**
Net unrealised loss on financial assets at FVOCI				*(1,652)					***(1,652)**
Net realised loss on financial assets at FVOCI				*99					***99**
Re-measurement reserve arising from Defined Benefit Plan						3,395			**3,395**
Change in liabilities for investment contracts with DPF							(440)	440	**-**
Increase of reserve for share based payments								515	**515**
Profit for the year 2017								*260,729	***260,729**
Total comprehensive income	**-**	**-**	**-**	***(1,553)**	**-**	**3,395**	**(5,846)**	***267,090**	**263,086**
Distribution of share premium		(294,958)							**(294,958)**
Capitalisation of retained earnings	260,170							(260,170)	**-**
Dividend								(27,422)	**(27,422)**
Total transactions with owners	**260,170**	**(294,958)**	**-**	**-**	**-**	**-**	**-**	**(287,592)**	**(322,380)**
At 31 December 2017 (restated)	**346,903**	**-**	**-**	***(2,092)**	**(631)**	**(2,325)**	**26,270**	***389,386**	**757,511**

*restated reference IFRS 9

The notes on pages 12 to 85 are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts in €000 unless otherwise stated

	Note	2018	2017
Operating activities	28	(75,664)	21,464
Foreign exchange gains / (losses)		2,269	(5,016)
Interest paid	24	(43)	(56)
Taxes paid		(603)	(1,251)
Net cash (used in) / generated from operating activities		(74,041)	15,141
Investing activities			
Disposal of shares in Generali Group Companies		56,705	-
Acquisition of financial assets		(86,725)	(56,619)
Disposal of financial assets		126,874	256,233
Acquisition of tangible and intangible fixed assets	5 & 6	(3,518)	(3,658)
Repayments (to) / by related parties		(3,580)	384
Net cash generated from / (used in) investing activities		89,756	196,340
Financing activities			
Dividends (paid to) Company's Shareholders		[1](6,388)	(27,422)
(Distribution) of share premium		-	(219,843)
Net cash (used in) financing activities		(6,388)	(247,265)
Net increase / (decrease) in cash and cash equivalents		9,327	(35,784)
Cash and cash equivalents at the beginning of the year	11	48,258	84,042
Cash and cash equivalents at the end of the year		57,585	48,258

[1]Payment to PMGH, net of dividend declared less amount of interest and receivable due from parent see Note 32d.

1. General Information

Utmost Worldwide Limited’s (formerly Generali Worldwide Insurance Company Limited) ('the Company') principal activity is the sale of insurance and investment products. The Company’s registered office is Utmost House, Hirzel Street, St Peter Port, Guernsey and the Company has operations in Guernsey, Hong Kong, the Republic of Ireland, Singapore, Switzerland, Cayman and The Bahamas.

The Company’s immediate parent for the financial year was Generali Participations Netherlands NV (formerly Participatie Maatschappij Graafschap Holland N.V., a limited company incorporated in the Netherlands, and its ultimate parent is Assicurazioni Generali Società per Azioni, a company incorporated in Italy. Assicurazioni Generali SpA has a primary listing on the Milan Stock Exchange.

As of 28 February 2019, the immediate parent is UIG Holdings (No 6) Ltd (formerly LCCG Holdings (No 6) Limited) and the ultimate parent company which maintains a majority controlling interest in the group is recognised by the directors as OCM LCCG2 Holdings Limited, a Cayman incorporated entity. OCM LCCG2 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.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union by the European Commission. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The insurance provisions are prepared in accordance with generally accepted actuarial standards including allowances for possible future cash flow strains that may arise. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company uses the exit price in the principal market (or in the absence of a principal market, the most advantageous market) in which the Company would transact.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2. All amounts in the notes are shown in thousands of Euros, rounded to the nearest thousand, unless otherwise stated.

2.1.1 New and amended standards and interpretations

The Company applied IFRS 15 and IFRS 9 for the first time as well as other standards and amendments which have been listed below. These are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

Although these new standards and amendments were applied for the first time in 2018, it was only IFRS 9 that had any effect on the annual financial statements of the Company. The effect of which is shown below.

All amounts in €000 unless otherwise stated

Standard / Interpretation	Content	Applicable for financial years beginning on/after
IFRS 4	Amendments to Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)	1 January 2018
Annual Improvement	Amendments to IFRS Standards 2014-2016 Cycle	1 January 2018
IFRICC 22	Foreign Currency Transactions and Advanced Consideration	1 January 2018
IFRS 2	Amendments to Classification and Measurement of Share –based Payment Transactions	1 January 2018
IAS 40	Amendments to Transfers of Investment Property	1 January 2018

IFRS 9 Financial Instruments - replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial date of 1 January 2018 and adjusting comparative information for the period beginning 1 January 2017.

The classification and measurement requirements of IFRS 9 had the following impact on the Company.

Under IFRS 9, debt instruments are subsequently measured at fair value though profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of the initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The IAS 39 categories for financial assets have been replaced by:

- Financial assets at fair value through profit or loss, including equity and debt instruments and derivatives.
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company)
- Debt instruments at amortised cost

Management have reviewed their strategy and have defined the Company as 'held to collect and held to sell' business model with an additional recognition of the need for congruence between the treatment of financial assets and liabilities.

The Company has continued measuring at fair value all financial assets previously held at fair value under IAS 39 with specific types of assets now treated as follows:

Quoted debt instruments previously classified as Available for Sale (AFS) financial assets are now classified and measured as Debt instruments at fair value through profit or loss (FVTPL) if they are matching policy held liabilities. All other debt instruments (those assets held within the reserve portfolio) will be measured at Fair value through Other Comprehensive Income (FVOCI).

All amounts in €000 unless otherwise stated

Investment Funds and Equity securities previously classified as AFS financial assets are now classified and measured as Financial Assets at FVTPL.

The changes to the Financial Statements can be seen in the tables below:

Statement of Financial Position 1 January 2017	**IAS 39 treatment**		**Impact**		**IFRS 9 treatment**	
	Investment Type	**Amount**	**Remeasure-ment**	**Reclassi-fication**	**Category**	**Amount**
Available for Sale Assets						
From AFS to FVTPL	Equity Securities	200,313	-	(200,313)	N/A	-
From AFS to FVOCI	Debt Securities	262,840	-	(262,840)	N/A	-
From AFS to FVTPL	Investment Funds	116,711	-	(116,711)	N/A	-
FA at FVTPL						
From AFS to FVTPL	Equity Securities	424	-	200,313	FVTPL	200,737
From FVTPL to FVOCI	Debt Securities	763,152	-	(1,536)	FVTPL	761,616
From AFS to FVTPL	Investment Funds	58,649	-	116,711	FVTPL	175,360
FA at FVOCI						
From AFS to FVOCI	Debt Securities	-	-	262,840	FVOCI	262,840
From AFS to FVOCI	Debt Securities	-	-	1,536	FVOCI	1,536
						264,376

Statement of Financial Position 31 December 2017	**IAS 39 treatment**		**Impact**		**IFRS 9 treatment**	
	Investment Type	**Amount**	**Remeasure-ment**	**Reclassi-fication**	**Category**	**Amount**
Available for Sale Assets						
From AFS to FVTPL	Equity Securities	-	-	-	N/A	-
From AFS to FVOCI	Debt Securities	282,939	-	(282,939)	N/A	-
From AFS to FVTPL	Investment Funds	42,331	-	(42,331)	N/A	-
FA at FVTPL						
From AFS to FVTPL	Equity Securities	569	-	-	FVTPL	569[1]
From FVTPL to FVOCI	Debt Securities	722,172	-	(1,533)	FVTPL	720,639[1]
From AFS to FVTPL	Investment Funds	44,729	-	42,331	FVTPL	87,060[1]
FA at FVOCI						
From AFS to FVOCI	Debt Securities	-	-	282,939	FVOCI	282,939
From AFS to FVOCI	Debt Securities	-	-	1,533	FVOCI	1,533
						284,472[2]

[1] Agrees to amounts in note 8.1
[2] Agrees to amounts in note 8.2

All amounts in €000 unless otherwise stated

Statement of Comprehensive Income	
For the year ended 31 December 2017	
Impact on Statement of profit or loss – Increase / (decrease)	
Interest and other investment income	(3,260)
Net FV change on derecognition of FA FVOCI	(99)
Net income / (expense) from investments	(107,280)
Profit for the year – Total	(110,639)
Impact on Statement of Comprehensive Income – Increase / (decrease)	
Change in FV of FA at FVOCI	110,540
Amount reclassified to profit or loss	99
Total	-

Statement of Changes in Equity	**Available for Sale Assets**	**Financial Assets at FVOCI**	**Revenue Reserve**
Closing balance under IAS 39 as at 31 December 2016	121,757	-	287,592
Reclassification of debt instruments from AFS to FA at FVOCI	(122,296)	-	122,296
Reclassification of AFS Investments Funds to FVTPL	539	(539)	-
Restated as at 1 January 2017	-	(539)	409,888

The change in fair value over 2017 that would have been recorded in OCI had the Available for Sale instruments continued to be revalued through OCI, is (€112,192) (2016: €66,630).

The Company's classification of its financial assets are further explained in note 2.6.

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such elements be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains or losses on that liability (including effects of changes in credit risk) should be presented in profit or loss.

IFRS 9 requires the Company to record Expected Credit Losses (ECL) on all of its debt securities, loans and trade receivables, either on a 12 month or lifetime basis. Given the limited exposure of the Company to credit risk, this amendment has not had a material impact on the financial statements.

The Company only holds trade receivables which have no financing component and which have maturities of less than 12 months at amortised cost therefore the Company applies a simplified approach in calculating ECL's, it does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The Company has established processes based on its historic credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

In addition, the application of the ECL mode under IFRS 9 has not changed the carrying amounts of the Company's amortised cost financial assets. No impairment has been recorded under IFRS 9.

The Company does not apply hedge accounting.

Details of the Company's impairment method are disclosed in Note 2.7.

All amounts in €000 unless otherwise stated

IFRS 15 Revenue from Contracts with Customers supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Utmost Worldwide Limited (UW) have performed an assessment to identify the revenue streams which are in scope of IFRS 15 and completed the five-step model when determining how to account for the revenue streams which are in the scope of IFRS 15.

Adoption of IFRS 15 has had no material impact on the annual Financial Statements of the Company.

Utmost Worldwide has not applied the following new and revised IFRS standards that have been issued but are not yet affective:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2022
IFRS 10 & IAS 28	Amendments to Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	To be determined

IFRS 16 Leases As at 31 December 2018, the Company has non-cancellable operating lease commitments of €14.4 million on an undiscounted basis. IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 29. A preliminary assessment indicates these arrangements will meet the definition of a lease under IFRS 16. The new requirement is expected to have an immaterial impact on the amounts recognised in the Company's annual expenses, however in the statement of financial position a right of use asset and a corresponding liability will be required in the region of €14 million.

IFRS 17 Insurance Contracts is effective for annual periods on or after 1 January 2022 and replaces IFRS 4 Insurance Contracts. The Company is applying IFRS 9 as from 1 January 2018 and in doing so is using the option to bring congruence where applicable to the treatment of assets and liabilities in the same reporting periods. The Company is in the early stages of its interpretation of IFRS 17.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - The Company is neither a first time adopter of IFRS nor a venture capital organisation.

2.2 Consolidation

The Directors of the Company have taken the option available under IAS 27 of not producing consolidated financial statements, as the Company's results, position and cash flows during the financial year were consolidated within the publicly available financial statements of the ultimate parent company. Therefore, only separate financial statements have been prepared. Intra-Group transactions, balances and unrealised gains and losses have not, therefore, been eliminated from the Company's financial statements. The consolidated financial statements of the ultimate parent of the Company during the financial statement period comply with IFRS as adopted in the European Union by the European Commission and have been produced for public use. They are available from www.Generali.com.

2.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control.
Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The voting rights and potential voting rights.

The power to govern the financial and operating policies generally accompanies a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill (see note 2.5.1). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.
The Company's accounting treatment of investments in subsidiaries is to hold at cost less impairment.

Gains and losses on disposal of subsidiaries are recorded in the statement of comprehensive income in the year of disposal.

2.2.2 Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for at cost less impairment.

2.2.3 Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.3 Foreign currency

2.3.1 Functional and presentation currency

Items included in the financial statements are initially measured in the currency of the transaction and subsequently converted to Euros, as the Euro is considered the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The financial statements are presented in thousands of Euros, the Company’s presentation currency.

2.3.2 Transactions and balances

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss.

2.4 Tangible assets

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated monthly, not exceeding a period of 36 months, as follows:

Furniture and fittings -	3 years;
Computer equipment -	3 years;
Leasehold improvements -	remaining period of the lease.

The assets’ residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 2.7). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.5 Intangible assets

2.5.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary or associate at the acquisition date. Goodwill on acquisition of subsidiaries and associates is included in intangible assets. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for impairment testing. On acquisition of a business comprising a portfolio of contracts, the Company recognises goodwill representing the value of business acquired.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.5.2 Computer software

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs comprise amounts specifically invoiced by external contractors. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised monthly, not exceeding a period of 36 months.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

2.6 Investments

The Company classifies its investments into the following categories: financial assets at fair value through profit and loss (FA at FVTPL), financial assets at fair value through Other Comprehensive Income (FA at FVOCI), and Other financial assets.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both. The different classification criteria are discussed in more detail below.

2.6.1 Classification of Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

A financial asset is classified as held for trading at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking, or if so designated by management. Derivatives (including embedded derivatives) are also classified as held for trading unless they are designated as hedges and can be demonstrated to be effective as hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets designated as at fair value through profit and loss at inception are those that are held to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit and loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the statement of comprehensive income within net fair value gains on financial assets at fair value through profit and loss in the period in which they arise.

2.6.2 Classification of Financial assets at fair value through other comprehensive income

The Company applies the new category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise debt instruments that had previously been classified as available for sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in a response to changes in market conditions. They are not debt instruments which are backing policyholder liabilities at FVTPL which would create an accounting mismatch.

2.6.3 Other receivables

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category loans and receivables and receivables arising from insurance contracts. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision. A provision for impairment of loans and receivables is recognised in line with the ECL method.

For trade receivables, the Company applies a simplified approach in calculating ECL's. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The Company has established processes based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

2.6.4 Recognition and measurement

Regular way purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, to include transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

FA at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss. On derecognition cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to payment has been established.

2.6.4.1 Business Model Assessment

The Business Model is determined at a level that reflects how groups of financial assets are managed together to achieve the business objectives of the entity and does not depend on management's intentions for an individual instrument. This review is not at an instrument-by-instrument classification but at a higher level of aggregation.

Generali Worldwide has evaluated its business models by portfolios or lines of business.

2.6.4.2 SPPI Test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors.

2.6.5 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

The Company uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity like options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the Company uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs is disclosed in note 4.7.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value and model governance policies and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair value of over-the-counter (OTC) derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as the present value technique and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairment.

The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model based on contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The fair values of quoted investments are based on current market prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.7 Impairment of assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company's debt instruments comprise solely of quoted bonds that are classed as investment grade and, therefore are considered to be low credit risk investments. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets carried at fair value through other comprehensive income
The expected credit loss (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Impairment of other non-financial assets
Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When unobservable market data has an impact on the valuation of derivatives, the entire initial change in fair value indicated by the valuation model is not recognised immediately in the statement of comprehensive income but over the life of the transaction on an appropriate basis, or when the inputs become observable, or when the derivative matures or is closed out. The accounting policy in respect to derivatives embedded in host insurance contracts is described in note 2.12.

The Company designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or of a firm commitment (fair value hedge); (ii) hedges of highly probable forecast transactions (cash flow hedges); or (iii) hedges of net investments in foreign operations (net investment hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items.

a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

b) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the statement of comprehensive income within 'net income from financial assets at fair value through profit and loss'. Amounts accumulated in equity are recycled to the statement of comprehensive income in the periods in which the hedged item affects profit or loss (for example, when the hedged forecast transaction takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. However, when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

c) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'net income from financial instruments at fair value through profit and loss'. Gains and losses accumulated in equity are included in the statement of comprehensive income on disposal of the foreign operation.

d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of all such derivative instruments are recognised immediately in the statement of comprehensive income.

2.9 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 which are subject to insignificant risk of change in value, and bank overdrafts.

2.10 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

2.11 Insurance and investment contracts – classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are materially different in the eyes of the policyholder from the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, foreign exchange rate, index rates, credit rating or credit index not specific to a party to the contract.

A number of insurance and investment contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are based on investment returns on a specified pool of assets held by the Company.

Actuarial practice and the terms and conditions of these policies set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of its payment to policyholders. At least 95% of the eligible surplus must be attributed to policyholders as a group (which can include future policyholders), while the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary.

The Company issues investment contracts without fixed and guaranteed terms (unit-linked). Unit linked investment contracts are financial liabilities whose fair value is dependent on, *inter alia*, the fair value of associated financial assets, derivatives and/or investment property and are designated at inception as at fair value through profit and loss. The Company designates such contracts as being measured at fair value through profit and loss upon inception because its fundamental approach to the management of investment risk associated with these contracts is to hold assets that negate the investment risk. Furthermore, measurement on this basis significantly reduces measurement and recognition inconsistency (accounting mismatch) that would otherwise arise, given that the assets held to mitigate investment risk are also measured at fair value.

The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data where possible. There is generally no active market in investment contract liabilities and the Company therefore uses valuation models, including discounted cash flow analyses that break down components of the liability to allow the use of observable market data. A significant proportion of the fair value of a unit-linked financial liability is determined with reference to the current, observable unit or asset values that reflect the fair values of the financial assets to which the contractual benefits are linked. This constituent of the liability is often referred to as the deposit component. Other elements of the fair value include estimates of the value of existing contractual commitments not linked to financial assets with observable prices but that may be valued by reference to market observable data such as forward yield curves and exchange rates.

These include embedded derivatives, such as the enhancement of future benefits should certain conditions be satisfied, options exercisable at the discretion of the contract holder and options exercisable at the discretion of the Company. Enhancements include features such as loyalty bonuses and enhanced allocation rates, being past contractual commitments, which the Company would be obliged to honour in the future. Options include the right of contract holders to cease paying premiums on regular premium contracts, and the right of the Company to lapse without value contracts below minimum surrender values. Also included in the fair value of the liability are components addressing the insurance elements of the contracts and the net position resulting from the change in the liabilities due to product fees considered in combination with the expenses incurred by the Company in operating its administration systems to calculate future policy benefits. The insurance elements include enhancement of policy benefits when paid by reason of death and/or the refund on death of a proportion of any initial charges that would otherwise accrue wholly to the Company. These insurance features are not considered significant and do not cause the contracts to be classified as insurance contracts within the scope of IFRS 4, Insurance Contracts.

If the investment contract is subject to a put or surrender option, exercisable at the discretion of the investment contract holder rather than the Company, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable, in accordance with the requirements of IFRS 9.

2.12 Investments Contracts

Investment contracts with DPF
The liability for these contracts is established in the same way as for the deposit administration insurance contracts with DPF (see above). Revenue is also recognised in the same way. Where the resulting liability is lower than the sum of the amortised cost of the guaranteed element of the contract and the intrinsic value of the surrender option embedded in the contract, it is adjusted and any shortfall is recognised immediately in the statement of comprehensive income.

The Company issues investment contracts without fixed and guaranteed terms (unit-linked) and investment contracts with fixed and guaranteed terms (guaranteed investment bonds).

Unit linked investment contracts are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment property and are designated at inception as at fair value through profit and loss. Most investment contracts issued by the Company relate to corporate pension and savings schemes. As such, each policy acts as an umbrella under which the Company as policyholder on behalf of participating employees, and the participating employees themselves, may choose to which of the Company's funds to link benefits.

The Company designates these investment contracts to be measured at fair value through profit and loss because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (see note 2.6 for the financial assets backing these liabilities).

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (i.e., the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises profit on day one. Generally, however, such data does not exist and the Company recognises income from these contracts as it is earned, as described in note 2.19.1, Rendering of Services.

Valuation techniques are used to establish the fair value at inception and each reporting date. The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data where possible. There is generally no active market in investment contract liabilities and the Company therefore uses valuation models, including discounted cash flow analyses that break down components of the liability to allow the use of observable market data. A significant proportion of the fair value of a unit-linked financial liability is determined with reference to the current unit values that reflect the observable market values of the underlying financial assets to which the contractual benefits are ultimately linked. The unit values themselves are not market observable prices, as the Company determines these values internally, but the underlying assets are generally market traded and independently priced. This unit-based constituent of the liability under unit linked investment contracts is often referred to as the deposit component. Other elements of the fair value include estimates of the value of embedded derivatives. Amongst these are surrender options exercisable at the discretion of the contract holder or contract sub-level beneficiary, and the unit-linking feature itself. There is no element of insurance contained within these unit-linked investment contracts, and consequently no allowance in the valuation of the liability. The net position resulting from the change in the liabilities due to product fees considered in combination with the expenses incurred by the Company administering each policy is considered as part of the fair value of the liability.

If the investment contract is subject to a put or surrender option, exercisable at the discretion of the investment contract holder rather than the Company, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable, in accordance with the requirements of IFRS 9. Generally, such options are present and income recognition is not advanced through the application of the fair value approach in the measurement of liabilities under unit-linked investment contracts.

The Company also designates investment contracts with fixed and guaranteed terms as being at fair value through profit and loss for similar reasons of avoiding accounting mismatch. Such contracts are not unit-linked, and do not contain surrender options that create a demand deposit feature. The contracts are valued on the basis of the net position of expected cash flows, referenced against observable interest and exchange rate curves, and giving due regard to asymmetries arising from contractual conditions dealing with under- and over-performance against specified targets.

Embedded derivatives
Certain derivatives embedded in insurance contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

2.13 Insurance Contracts

Insurance contracts are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed. The three categories are short-term insurance contracts, long-term insurance contracts with fixed and guaranteed terms and long-term insurance contracts without fixed terms and with DPF.
i) Short-term insurance contracts

These contracts are health and short-duration life insurance contracts.
Health insurance protects against the cost of medical treatment. The typical protection offered is designed for employers who are legally or contractually obliged to offer such protection to their employees.

Short-duration life insurance contracts protect a company’s policyholders and their employees or their beneficiaries from the consequences of events involving a policyholder’s employees such as death or disability. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder, his employee or beneficiary. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as insurance premium revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders, including their employees or employees’ beneficiaries where applicable. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

ii) Long-term insurance contracts with fixed and guaranteed terms
These contracts insure events associated with human life (for example death or survival) over a long duration.
Premiums are recognised as revenue when the contract holder pays them. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is initially based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. The liability is recalculated at the statement of financial position date using assumptions current at the statement of financial position date. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in-force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each statement of financial position date using the assumptions established at inception of the contracts.

iii) Long-term insurance contracts without fixed terms and with DPF – unit-linked and deposit administration
These contracts insure human life events (for example death or survival) over a long duration. However, insurance premiums are recognised directly as liabilities. These liabilities are increased or decreased by change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. The liability for these contracts includes any amounts necessary to compensate the Company for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets. Deposit administration contracts contain a DPF that entitles the holders to a minimum guaranteed crediting rate per annum (0.01% to 3% depending on the contract currency and commencement date) or, when higher, a bonus rate declared by the Company from the DPF eligible surplus available to date. The Company has an obligation to eventually pay to contract holders at least 90% of the DPF eligible surplus (i.e., all interest and realised gains and losses arising from the assets backing these contracts). Any portion of the DPF eligible surplus that is not declared as a bonus rate and credited to individual contract holders is retained in a liability for the benefit of all contract holders until declared and credited to them individually in future periods. In relation to the unrealised gains and losses arising from the assets backing these contracts (the DPF latent surplus), the Company establishes a liability equal to 90% of these net gains as if they were realised at year-end. Shareholders' interest in the DPF latent surplus (equal to 10%) is recognised in the statement of comprehensive income. Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims incurred in the period are charged as expenses in the statement of comprehensive income.

2.13.1 Recognition and measurement

Insurance liabilities are recognised when contracts are entered into and premiums are charged.

2.13.2 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed. Current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used in performing these tests. Any deficiency is immediately charged to the statement of comprehensive income by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

2.13.3 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in note 2.11 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in note 2.7.

2.13.4 *Receivables and payables related to insurance contracts and investment contracts*

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in note 2.7.

2.13.5 Deferred acquisition costs (“DAC”)

Commissions that vary with and are related to the acquisition of new investment and insurance contracts are treated as prepayments (DAC) to the extent that the commission relates to the future provision of services by the parties to whom payments are made, when the degree of completeness of the service can be reliably measured and the Company is confident of future economic benefit from the introduction acquired. Prepaid commission is expensed through profit and loss over a period determined by policy features chosen by the contract holder introduced in return for the commission payment. The periods over which it is expensed range from five to thirty months. Commissions for which liability arises on completion of a significant act without the expectation of the delivery of further services are recognised in expenses when incurred. For investment contract introductions where costs are deferred, no costs are deferred beyond the point at which the introducer is considered to have fulfilled his contractual obligations and is not expected or obliged to perform further services.

2.13.6 Deferred Income Liability (“DIL”)

The DIL represents a proportion of charges levied under investment contracts where payment for the services contractually due under such contracts is received in advance of the Company’s performance of those services. The deferred proportion of these fees is calculated with reference to management’s assessment of the degree to which actions and services the Company is obliged to perform have been completed at the balance sheet date (note 18).

2.13.7 Non-Life insurance contracts

Gross recurring premiums are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums including minimum and deposit premiums are calculated on a daily *pro rata* basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.15 Receivables

Receivables are recognised initially at fair value. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms (see note 2.7 for the accounting policy on impairment).

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group Tax Affairs controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the near future.

2.17 Employee benefits

2.17.1 Pension obligations

The Company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The investment risk associated with the pension benefits ultimately available rests with the employee and not the Company. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Past-service costs are recognised immediately in income.

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

2.17.2 Nature of the Defined Benefit Fund

Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited) participates in the Assicurazioni Generali SpA Guernsey Resident Pension Fund (“the Fund”), which is a funded defined benefit arrangement. The other participating employer in the Fund is Utmost Portfolio Management Limited. The Fund closed to the future accrual of benefits with effect from 31 December 2010. All remaining active members were treated as having left Pensionable Service with effect from that date and their benefits are calculated based on their final pensionable salaries on that date.

The Fund is an approved scheme in Guernsey, under Sections 40(o) and 150, as relevant, of the Income Tax (Guernsey) Law 1975, as amended.

The Fund must comply with the relevant legislation in Guernsey.

The Fund is governed by the directors of a corporate trustee, the Trustee. The Trustee is responsible for the Fund’s investment management and notifies the Company of its investment strategy from time to time. The Trustee is responsible for the exercising of discretionary powers in respect of the Fund’s benefits, although the decision on whether to allow members to take early retirement resides with the relevant participating employer. The Company has agreed to contribute to the Fund such sums as may be advised by the Trustee acting on advice of the scheme’s Actuary, with the proviso that the payment of contributions will be spread over a period of not more than five years from the valuation date.

2.17.3 Exposure to Risk of the Defined Benefit Fund

Utmost Worldwide is exposed to the risk that additional contributions will be required in order to fund the Fund as a result of poor experience. Some of the key factors that could lead to shortfalls are:

- Investment performance – the return achieved on the Fund's assets may be lower than expected.
- Mortality – members could live longer than foreseen. This would mean that benefits are paid for longer than expected, increasing the value of the related liabilities.
- Options for members – members may exercise options resulting in unanticipated extra costs.

The Fund currently holds approximately 60% of its investments in equities. This exposes the participating employers to the risk of a general downturn in equity markets. In order to assess the sensitivity of the Fund's pension liability to these risks, sensitivity analyses have been carried out. Each sensitivity analysis is based on changing one of the assumptions used in the calculations, with no change in the other assumptions. The same method has been applied as was used to calculate the original pension liability and the results are presented in comparison to that liability. It should be noted that in practice it is unlikely that one assumption will change without a movement in the other assumptions, there may also be some correlation between some of these assumptions. It should also be noted that the value placed on the liabilities does not change on a straight-line basis when one of the assumptions is changed. For example, a 2% change in an assumption will not necessarily produce twice the effect on the liabilities of a 1% change.

2.17.4 Restriction of Assets of the Defined Benefit Fund

As the Fund is currently in surplus it has not been necessary for us to adjust the statement of financial position items as a result of the requirements of IFRIC 14 issued by IASB's International Financial Reporting Interpretations Committee.

2.17.5 Fund Amendments of the Defined Benefit Fund

There have been no past service costs or settlements in the financial year ending 31 December 2018.

2.17.6 Funding Policy of the Defined Benefit Fund

Utmost Worldwide is a participating employer in the Fund. Following the cessation of accrual of benefits with effect from 31 December 2010, regular contributions to the Fund are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation The contributions made to cover any shortfalls are apportioned based on the liabilities pertaining to each participating employer and the notional assets assigned to that employer.

2.17.7 Liability to the Defined Benefit Fund

There are currently two employers participating in the Fund, each of which has responsibility for the liabilities relating to its staff. The Parent Company is responsible for meeting the administration expenses incurred in the operation of the Fund. On the withdrawal of the other participating employer from the Fund, the Trustees would be responsible for deciding on the terms on which additional funding would be sought from the relevant employer or surplus funds disposed of. The Company has guaranteed that, in the event of winding up of the Fund, deferred members would receive at least standard transfer values after annuitisation of the pensions in payment and allowance for winding up costs.

2.18 Profit-sharing and bonus plans

The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Revenue recognition

Revenue comprises the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the Company when those inflows result in an increase in equity, other than increases relating to contributions from equity participants, and is recognition of the fair value of the services provided by the Company. Income other than that arising on recognition of the changes in the value of financial and insurance assets and liabilities is recognised as follows:

2.19.1 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to revenue arising from all contracts with customers not classified as insurance contracts. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Besides general insurance activity, the Company provides insurance-based unit linked savings and investment products. Revenue from contracts with customers is recognised when control of goods and services are transferred to the customer at an amount that reflects the consideration to which the Company is entitled in exchange for those good or services.

Revenue arising from investment management, administration and other related services offered by the Company in relation to investment contracts is recognised in the accounting period in which the contractual performance obligations are satisfied. Fees consist primarily of investment management and policy administration fees arising from services rendered in conjunction with the issue and management of investment contracts where the Company actively manages, or subcontracts management to related and third parties of, the consideration received from its customers in order to attempt to generate a return commensurate with the investment profile that the customer selected on origination of the instrument or varied subsequently. Investment management services comprise the activity of choosing, and instigating trades in, financial instruments to be acquired by or sold from the Company’s pools of assets notionally backing the investment component of its liabilities under investment contracts. Policy administration consists of the activity of maintaining sub-policy level records relating to individual members of corporate investment policies.

Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services being the receipt of premiums for the rendering of these services. The amount recognised is the amount that best reflects the consideration which the Company expects to receive for the above services. In the cases of investment management fees and ongoing policy administration fees, these services comprise an indeterminate number of acts over the life of the individual contracts, whereas the performance obligations are satisfied over time. For practical purposes, the Company recognises these fees on a straight-line basis over the time of the contract. The Company charges its customers for investment management, administration and other related services using the following different approaches:

Set-up fees are charged to policyholders on inception. Such fees are recognised as charged, as the set up activity constitutes a significant act which is assessed as a completed performance obligation;

Regular fees are charged to policyholders periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is deemed equivalent to the period over which the performance obligation is satisfied. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

The Company also derives income from the services it provides in the establishment of investment contracts and the collection and application of premium thereto. The Company recognises a major part of the establishment fees during the initial period of the policy being the period during which the initial units are allocated as performance obligations relating to the on-boarding, distribution and placement of the contracts are considered to be satisfied during this initial period. The proportion relating to future service is initially deferred (Note 12) and subsequently released over the expected period for which premiums will be collected. The balance of this contract liability is shown in Note 18.

Costs to obtain

Incremental directly attributable costs incurred in acquiring the contract, for example broker commissions, are expensed at the inception of the policy during the initial period, and is not recognised until it is reasonably certain that no significant clawback applies. This recognition treatment is consistent with the recognition during the initial period of the 93.79% of Administration Fee, which are the revenues derived from the services to the customer to which these costs to acquire relate.

Costs to fulfil

Costs to fulfil are those periodic specific costs relating directly to the contract only, for example renewal and top up commissions. These are expensed as they are incurred which is consistent with the satisfaction of the performance obligations which these costs are utilised to satisfy, and the recognition of the related Administration fee generated. This is also consistent with the treatment of the related Costs to Acquire and Administration Fee at inception.

2.19.2 Interest income

Interest income for financial assets that are not classified as fair value through profit and loss is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

2.19.3 Dividend income

Dividend income is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

2.19.4 Other income

Income from the Company’s profit share agreement with Assicurazioni Generali Società per Azioni - UAE Branch (“the Generali UAE Branch”) is recognised as other income along with the ceded reinsurance / direct insurance income from The Bahamas and the Caymans.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

2. Critical accounting estimates and judgments in applying accounting policies

The Company makes assumptions that affect the amounts of assets and liabilities reported within the financial statements.

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

Critical amongst these are the assumptions underpinning the classification of a contract as insurance or investment, in accordance with the definitions given in note 2.11, 2.12 and 2.13 and assumptions relating to mortality, as discussed in note 15.2.1 and assumptions made in the use of valuation techniques in determining the fair value of investment contracts.

a) Insurance and investment contract liabilities
Insurance and investment contract liability accounting is discussed in more detail in accounting policies 2.11, 2.12 and 2.13 with further detail of the key assumptions made in determining insurance contract liabilities included in note 15.

b) Fair value of financial assets and liabilities
The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policies 2.6, 2.6.5 and 2.8. Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair values are determined using valuation techniques including pricing models and discounted cash flow techniques. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and notes 2.5 and 4.7 provides further disclosures on fair value hierarchy and assumptions used to determine fair values.

c) Fair value of investment contracts
The Company issues a significant number of investment contracts that are designated at fair value through profit and loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience combined with underlying market prices. A variety of factors are considered in the Company's valuation techniques, including time value, currency and interest rate effects, asset risk and growth forecasts, volatility factors (including contract holder behaviour) and servicing costs.

Changes in assumptions about these factors would have little effect on the reported fair value of financial instruments as the amount payable on demand is usually larger than the calculated fair value and is thus the minimum liability that is held for most contracts.

d) Deferred Income Liability (DIL)
Deferred income liability (DIL) is front-end fees received from investment contract holders as a pre-payment for asset management and related services. These amounts are non-refundable and are released to income as the services are rendered.
The methodology applied to calculate the DIL is based on the initial units of clients multiplied by the estimated future costs associated to initial units multiplied by the estimated length of time (as a percentage of the premium paying term) the policy will be in force and premium paying.

4. Management of insurance and financial risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

4.1 Insurance risk

Insurance risk is based on uncertainty, which must exist in at least one of the following ways at the inception of an insurance contract:

i. whether an insured event will (or will not) occur;
ii. when it will occur; or
iii. how much the insurer will need to pay if it occurs (or does not occur)?

Across a portfolio of insurance risks, the overall outcome generally becomes more certain, and suitable for statistical analysis. The company has developed its underwriting strategies and other management techniques to mitigate the Company's exposure to insurance risk.

4.1.1 Insurance risk management

The Company’s insurance products are designed to ensure that policies are unambiguous, and hence minimise the risk of the insurance cover having greater scope than that originally intended. Included within the design process are a number of technical, legal and compliance reviews with such risk mitigation as one of the specific aims.

Prior to or at inception insurance contracts under which the Company accepts significant risk, are subjected to an underwriting process. This aims not only to ensure that business is correctly priced, but also to ensure that risk concentrations are identified and exposure limits are not breached. Where necessary, risk is transferred using reinsurance. The Company uses reinsurance for several purposes. In some instances, it is used to decrease the deviation from average claim size for a line of business. This reduces volatility of the result, subject to performance by the reinsurer. In other areas, reinsurance is used to limit the Company’s exposure to catastrophe, such as multiple deaths under a group life policy. During the financial period, the Company only purchased cover from reinsurers approved by the Generali Group.

Annuity products
The Company has a closed book of annuity business. The main risk in this category is that of longevity. Benchmarking is used to maintain provisions in line with up-to-date developments in life expectancy for the types of lives covered. Assets are closely matched to the estimated liabilities to immunise the Company against interest rate risk for this class of business.

Investment contracts with DPF
Such contracts are treated as insurance under the requirements of IFRS 4, Insurance Contracts. There is no insurance risk attached to such contracts. However, the Company is also exposed to other risks of a financial nature, in particular those created by capital and interest rate guarantees. These are mitigated by actuarial review of bonus sustainability, the imposition of performance monitoring against investment risk guidelines and the ability to impose market value adjustments should they be judged necessary.

Unit-linked contracts - Insurance
For unit-linked contracts, the Company matches all the assets on which the unit prices are based with assets in the portfolio.

The Company’s exposure to market risk (being interest rate, equity price and currency risks) from these contracts is in the risk of volatility in asset management fees due to the impact of interest rate, equity price and currency movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

Short term - Health insurance
The Company provides health insurance, principally in the Caribbean, but also as an additional coverage with other policies. Proactive claims management and limited reinsurance cover are the main management techniques employed. The claims are generally low value, high frequency though there is exposure to high value claims. Claims settlement times are generally short.

Short term - Death and disability insurance
The Company provides cover for a wide variety of multi-national organisations. Policies are usually renewable annually, and are subject to underwriting processes. The Company seeks to determine whether risk concentrations exist, for example, looking at the exposure to lives assured at single sites or to concentrations within specific industry sectors. There is generally good geographical diversity. Quota share and catastrophe reinsurance is used to limit the Company's exposure. The Company monitors its asset-liability matching in respect of its provisions for long-term disability payments.

4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. The most significant risks relate to market risk and currency risk. The Company segregates various asset and liability categories so that they can be matched, with the aim of minimising the interest rate risk whilst maintaining an appropriate credit quality within each segregated portfolio. Such matching focuses on the typical duration of each class of liabilities, and seeks to ensure that the associated assets' characteristics are similar in nature.

Equity price risk is naturally hedged in some areas, in particular the exposure to unit linked contract holders, as the liability fluctuates in a near-identical fashion. In other areas, management of the equity investments to which the risk relates is delegated to equity investment management specialists or overseen by the Board Investment Committee. As such, the risk is not hedged. Other risks, namely currency, liquidity and cash flow interest rate risk are either controlled at an operational level by the day-to-day application of risk management policies and procedures or overseen by the Board Investment Committee.

The financial assets, which are most exposed to financial risk, are the investments in subsidiaries and associates, derivative financial instruments, amounts ceded to reinsurers from insurance provisions and receivables arising out of direct insurance operations and due from contract holders.

4.2.1 Financial risk management

The Company maintains its monetary assets other than accrued income in short term, floating rate investments, such as cash and term deposits. It manages exposure to foreign currency by converting its income to the reporting currency.

The Company manages these positions within an asset liability management (ALM) framework that has been developed to achieve both efficient matching of financial liabilities to investment contract holders and of the investment element of insurance liabilities to insurance contract holders, and to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

Within the ALM framework, the Company periodically produces reports at portfolio, legal entity and asset and liability class level that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the key characteristics, these being duration and currency for non-linked products. For each distinct class of liabilities, a separate portfolio of assets is maintained. Credit risk is also managed at a portfolio level. The Company has not materially changed the processes used to manage its risks from previous periods.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework. In particular, the ALM Framework requires the management of interest rate risk, equity price risk, credit risk and liquidity risk at the portfolio level. Foreign currency is managed on both a portfolio level and a company wide basis. To reflect the Company risk management approach, the required disclosures for interest rate, equity price and liquidity risks are given separately for each portfolio of the ALM Framework. Credit risk disclosures are provided for the whole Company in note 4.4.

The following tables reconcile the full statement of financial position, including non-monetary assets and liabilities, to the classes and portfolios used in the Company's ALM framework.

NOTES TO THE FINANCIAL STATEMENTS All amounts in €000 unless otherwise stated

2018		**Fixed & guaranteed investment contracts**	**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**		**Corporate**
	Total				**Insurance Contracts**	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets & Liabilities**
Hong Kong Business Class		F	A	C & G	C	C & H	A & Supplementary General	N/A	N/A
Investment In Subsidiaries & Associates	300							300	
Financial Assets at fair value through OCI:									
Corporate Bonds, Covered Bonds, Structured Note	164,717							164,717	
Government Bonds	119,086							119,086	
Financial Assets at fair value through profit and loss:									
Corporate Bonds, Covered Bonds, Structured Note	359,266	952	72,313	204,155			81,846		
Government Bonds	327,894	7,847	51,718	206,990			61,339		
Investment Funds	175,879			10,911			2,963	162,005	
Assets Backing Liabilities - Policyholder risk:									
Equity securities	128,951					128,951			
Corporate Bonds, Covered Bonds, Structured Note	144,255					144,255			
Government Bonds	16,412					16,412			
Investment Funds	2,716,413				15,908	2,700,505			
Policyholder cash and cash equivalents	212,547				200	212,347			
Other policyholder financial assets	769					769			
Derivatives	9					9			
Amount Ceded To Reinsurers From Insurance Provisions	92,043		931		25		91,087		
Receivables Arising Out of Direct Insurance Operations - Due From Contract Holders	25,122					315	24,807		

All amounts in €000 unless otherwise stated

Other receivables	3,279							3,279	
Receivables Due From Other Related Parties	526							526	
Other Assets	21,662	13	2,479	2,247			1,465	11,463	3,995
Cash & Cash Equivalents	51,602	1,499			480	36,365	13,258	-	
Cash – Hong Kong Solvency Margin held	5,983	32	802	271	33	252	4,593	-	
Total Assets	**4,566,715**	**10,343**	**128,243**	**424,574**	**16,646**	**3,240,180**	**281,358**	**461,376**	**3,995**

2018	**Total**	**Fixed & guaranteed investment contracts**	**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**	**Corporate**	
					Insurance Contracts	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets & Liabilities**
Hong Kong Business Class		F	A	C & G	C	C & H	A & Supplementary General	N/A	N/A
Insurance Provisions Direct Insurance	692,917		92,827	422,792	16,025		155,839	5,434	
Insurance Provisions Accepted Insurance	42,475		27,423				15,052		
Financial Liabilities at fair value through profit & loss:									
Investment Contracts - Policyholder risk	3,191,574					3,191,574			
Investment Contracts With Fixed Terms & Guaranteed Minimum Returns	4,439	4,439							
Trade & Other Payables	64,716	4,798			91	44,748	341	14,738	
Payables - Arising Out Of Direct Insurance	7,263		409	388		4,456	1,453	557	
Payables - Arising Out Of Reinsurance Operations	84,899		266				81,984	2,649	
Other Liabilities	12							12	
Accruals & Deferred Income	42,569	1,074	1,715	649	(41)	(850)	21,282	18,740	
Shareholder Equity	435,851								435,851
Total Liabilities	**4,566,715**	**10,311**	**122,640**	**423,829**	**16,075**	**3,239,928**	**275,951**	**42,130**	**435,851**

All amounts in €000 unless otherwise stated

2017 *** restated**		**Fixed & guaranteed investment contracts**	**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**	**Corporate**	
	Total				**Insurance Contracts**	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets & Liabilities**
Hong Kong Business Class		F	A	C & G	C	C & H	A & Supplementary General	N/A	N/A
Investment In Subsidiaries & Associates	300							300	
Held for sale financial asset	19,954							19,954	
Financial Assets at fair value through OCI:									
*Corporate Bonds, Covered Bonds, Structured Note	[1]169,636							[1]169,636	
*Government Bonds	[1]114,836							[1]114,836	
Financial Assets at fair value through profit & loss:									
Equity Securities & Collective Investment Schemes:	569							569	
*Corporate Bonds, Covered Bonds, Structured Note	[1]369,324	2,785	[1]79,584	187,222			99,733		
*Government Bonds	[1]351,315	9,229	55,259	200,945			85,882		
*Investment Funds	[1]87,060			19,197			[1]24,313	[1]43,550	
Assets Backing Liabilities - Policyholder risk:									
*Equity securities	[1]136,395					[1]136,395			
*Corporate Bonds, Covered Bonds, Structured Note	[1]178,560					[1]178,560			
Government Bonds	12,851					12,851			
*Investment Funds	[1]3,036,946				18,223	[1]3,018,722			
Policyholder cash and cash equivalents	198,025				339	197,686			
Other policyholder financial assets	1,466					1,466			
Term Deposits – policyholder	35					35			
Amount Ceded To Reinsurers From Insurance Provisions	97,396		972		25		96,399		
Receivables Arising Out of Direct Insurance Operations - Due From Contract Holders	29,269		330			927	28,012		

All amounts in €000 unless otherwise stated

Other receivables	5,028					3,349		1,132	547
Receivables Due From Other Related Parties	454,371							454,371	
*Other Assets	[2]22,895	43	2,388	2,311			1,903	10,375	*5,875
*Cash & Cash Equivalents	23,099				[2]326	[2]34,628	[2]5,983	[2](17,838)	
*Cash – Hong Kong Solvency Margin held	25,159	[2]53	[2]915	[2]237	[2]11	[2]352	[2]4,550	[2]19,041	
Total Assets	***5,334,488**	***12,110**	***139,448**	***409,912**	***18,924**	***3,584,972**	***346,775**	***815,926**	***6,422**

2017	**Total**	**Fixed & guaranteed investment contracts**	**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**	**Corporate**	
					Insurance Contracts	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets & Liabilities**
Hong Kong Business Class		F	A	C & G	C	C & H	A & Supplementary General	N/A	N/A
Insurance Provisions Direct Insurance	693,298		89,196	406,619	18,589		173,740	5,154	
Insurance Provisions Accepted Insurance	45,612		45,612						
Financial Liabilities at fair value through profit & loss:									
Investment Contracts - Policyholder risk	3,524,223					3,524,223			
Investment Contracts With Fixed Terms & Guaranteed Minimum Returns	7,571	7,571							
*Trade & Other Payables	160,608	[2]3,766			(68)	58,123	286	98,501	
Payables - Arising Out Of Direct Insurance	12,934		1,630	436	320	2,923	1,191	6,434	
Payables - Arising Out Of Reinsurance Operations	86,345		562				82,069	3,714	
Other Liabilities	658							658	
Accruals & Deferred Income	45,728	226	(178)	1,958	72	(649)	77,224	(32,925)	
*Shareholder Equity	[2]757,511								[2]757,511
Total Liabilities	***5,334,488**	***11,563**	***136,822**	**409,013**	**18,913**	**3,584,620**	**334,510**	**81,536**	***757,511**

*
[1]Restated reference IFRS 9
[2]Restated re regulatory requirements

All amounts in €000 unless otherwise stated

Fixed and guaranteed investment contracts

Investment contracts with guaranteed and fixed terms 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 Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

4.2.2 Unit-linked contracts

For unit-linked contracts, the Company matches all the assets on which the unit prices are based with assets in the portfolio. There is therefore no price, currency, credit or interest risk for the matched elements of these contracts. As stated above, the reduction in the fair value of value of accrued income is exposed to interest rate, foreign exchange and, to a limited extent, equity price risks.

4.3 Capital Management

The Company's objectives when managing capital are to comply with regulatory solvency requirements and during the financial period was required to ensure that it met it's risk-based capital requirements determined internally by the Generali Group as part of its overall enterprise risk management programme. The regulatory solvency requirements are determined, principally, in accordance with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, and The Insurance Business (Solvency) Rules 2015 as well as with regard to similar requirements relating to the specific activities effected in other jurisdictions in which the Company is licensed.

The Company adopts the Solvency II Standard Formula framework for local regulatory solvency reporting, as approved by letter, from the Guernsey Financial Services Commission dated 10 December 2015.

The provisional solvency ratio is summarised below, and is not subject to the audit:

	2018 Unaudited (Provisional)	***2017**
Eligible Own Funds (Available Capital)	365,096[1]	*599,551
Solvency Capital Requirement	194,369	*271,367
Solvency II Ratio	188%	221%

[1] Allows for a €230 million foreseeable dividend

* 2017 result has been restated to reflect the Company's official solvency position reported to the Guernsey Financial Services Commission.

The Company's Capital Management Policy sets out the framework in which the Company must periodically review the capital position, produce a medium-term capital management plan and regulate the issuance and distribution of capital. The items constituting the Company's capital are shown in the ALM table in note 4.2.1 (valued on an IFRS basis), and include investments of a strategic nature made following due consideration of the Group's objectives.

4.4 Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

Key areas where the Company is exposed to credit risk are:

- debt security holdings;
- loans and advances;
- financial guarantees;
- amounts due under insurance contracts;
- reinsurers' share of insurance liabilities;
- prepaid commission;
- other monetary financial assets, including cash balances at bank.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to differently rated debt securities. Limits on the levels of credit risk for the financial period were based on guidelines issued by the Group Risk Management department of the Generali Group, with modification where appropriate to the circumstances of the Company, and were ratified by the Board of Directors. The Investment Committee, under powers delegated by the Board, carries out monitoring of adherence to the guidelines. The Board Investment Committee undertakes credit assessment in respect of the credit exposures.

Credit risk relating to financial instruments is monitored by the Company's investment team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Company's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

The strength of reinsurers is considered annually in conjunction with advice from the Group. Individual contracts are considered on a case by case where necessary.

The nature of the Company's exposure to credit risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

The Company's financial assets exposed to credit risk are set out below along with the credit rating category of the issuer or counterparty.

All amounts in €000 unless otherwise stated

2018	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Non-Rated**	**Total**
Term Deposits			5,558				2,898	8,456
Financial Assets at fair value through OCI:								
Corporate bonds, covered bonds, structured notes	11,449	31,159	58,197	62,934	978			164,717
Government Bonds	45,703	73,383						119,086
Financial Assets at fair value through profit & loss:								
Corporate bonds, covered bonds, structured notes	72,862	153,897	89,475	36,467	1,408		5,157	359,266
Government Bonds	176,446	133,400		2,128			15,920	327,894
Amount Ceded To Reinsurers				92,018			25	92,043
Receivables including Insurance Receivables							28,927	28,927
Prepaid commission							3,170	3,170
Subsidiaries and associates							300	300
Cash and Cash Equivalents		3,227	38,778	54			7,070	49,129
Total	306,460	395,066	192,008	193,601	2,386	-	63,467	1,152,988

The above table does not include any significant overdue items.

All amounts in €000 unless otherwise stated

2017 *restated	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Non-Rated**	**Total**
Term Deposits			4,627					4,627
Held for sale financial asset							19,954	19,954
Financial Assets at Fair Value through OCI:								
Corporate bonds, covered bonds, structured notes	*14,521	27,606	*61,849	61,149			*4,511	*169,636
Government Bonds	40,660	74,176						114,836
Financial Assets at fair value through profit & loss:								
Corporate bonds, covered bonds, structured notes	*93,578	127,916	*99,971	29,522	1,101	409	*16,828	*369,325
Government Bonds	202,126	129,628		7,523			12,037	351,314
Amount Ceded To Reinsurers		97,371					25	97,396
Receivables including Insurance Receivables							488,668	488,668
Prepaid commission							3,937	3,937
Subsidiaries and associates							300	300
Cash and Cash Equivalents		7,681	15,098	4,946			15,906	43,631
Total	350,885	464,378	181,545	103,140	1,101	409	562,166	1,663,624

*restated reference IFRS 9

Ratings as per the Bloomberg Composite, which is a blend of ratings from S&P, Fitch and DBRS.

All amounts in €000 unless otherwise stated

Industry Analysis

2018	**Financial Services**	**Government**	**Consumers**	**Construction & Materials**	**Manufacturing**	**Services**	**Total**
Term Deposits	8,456	-	-	-	-	-	8,456
Financial Assets at fair value through OCI:							
Debt securities	55,256	119,086	61,763	24,329	10,881	12,488	283,803
Financial Assets at fair value through profit & loss:							
Debt securities	188,244	327,892	117,276	2,237	16,733	34,778	687,160
Amount Ceded To Reinsurers	92,043	-	-	-	-	-	92,043
Receivables including Insurance Receivables	28,927	-	-	-	-	-	28,927
Prepaid commission	-	-	-	-	-	3,170	3,170
Subsidiaries and associates	300	-	-	-	-	-	300
Cash and Cash Equivalents	49,129	-	-	-	-	-	49,129
Total	422,355	446,978	179,039	26,566	27,614	50,436	1,152,988

2017 *restated	**Financial Services**	**Government**	**Consumers**	**Construction & Materials**	**Manufacturing**	**Services**	**Total**
Term Deposits	4,627	-	-	-	-	-	**4,627**
Held for sale financial asset	19,954	-	-	-	-	-	**19,954**
Financial Assets at fair value through OCI:							
Debt securities	*42,011	114,836	78,209	23,802	11,005	14,609	***284,472**
Financial Assets at fair value through profit & loss:							
Debt securities	*200,752	351,315	106,212	3,320	20,335	38,705	***720,639**
Amount Ceded To Reinsurers	97,396	-	-	-	-	-	**97,396**
Receivables including Insurance Receivables	488,668	-	-	-	-	-	**488,668**
Prepaid commission	-	-	-	-	-	3,937	**3,937**
Subsidiaries and associates	300	-	-	-	-	-	**300**
Cash and Cash Equivalents	43,691	-	-	-	-	-	**43,691**
Total	***897,398**	**466,151**	**184,421**	**27,122**	**31,340**	**57,251**	***1,663,683**

*restated reference IFRS 9

The Company did not use credit derivative or similar instruments to mitigate the maximum exposure to credit risk. The change in fair value of financial liabilities, both in the period and cumulatively, is considered attributable solely to changes in conditions giving rise to market risk.

The strength of reinsurers is considered annually in conjunction with advice from the Group.

Financial assets and liabilities subject to offsetting
The Company can enter into netting arrangements with counterparties to manage the credit risks associated with over the counter (OTC) and exchange traded derivatives. These netting agreements and other similar arrangements enable the counterparties to set-off liabilities against available assets received, in the ordinary course of business and/or in the event that the counterparty is unable to fulfil its contractual obligations. The right of offset is a legal right to settle or otherwise eliminate a portion of an amount due by applying an amount receivable from the same counterparty against it, reducing credit exposure.

A master netting agreement, under which multiple individual transactions are subsumed, usually constitutes netting arrangements. For derivative contracts, statement of financial position offsetting is generally only permitted where a market settlement mechanism exists which accomplishes net settlement through a daily cash margining process. The Company has the legal right to offset the reinsurance deposits included in the table in note 17 against the receivables due from contract holders, which have arisen from reinsurance contracts, included in note 9.

4.5 Liquidity risk

Maturity analysis of financial liabilities and assets

The following tables summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on the remaining undiscounted contractual obligations including interest payable and receivable.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on an estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Unit-linked liabilities are repayable or transferable on demand and are included in the up to a year column. Repayments which are subject to notice are treated as if notice were to be given immediately.

The Company maintains a portfolio of highly marketable and diverse assets which can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

Cash flows, which have no maturity, are shown in the period in which they could first be called by the policyholder or counterparty. This includes all protection policies for which the cash flows have been assumed to be equal to the liability and payable in the first 0 – 5 years. Cash flows payable in years 5 and beyond relate to outstanding long-term disability claims and annuity payments. The valuation of such liabilities excludes any surrender penalties that the Company has the option of imposing in such circumstances.

Notwithstanding the above, any policy can be surrendered at any time, and all financial and insurance liabilities to contract holders are therefore shown with a minimum maturity of 0-1 years. In practice, this is extremely unlikely to happen. The Company has the general right to delay any surrender or surrenders to protect the interest of other policyholders and more specifically, may reflect the settlement terms achieved on the disposal of assets in the terms it offers on the settlement of liabilities backed by those assets.

All amounts in €000 unless otherwise stated

2018			**Cash Flows Due**			
	< 1 Year	**1-5 Years**	**5-10 Years**	**10-20 Years**	**>20 Years**	**Carrying Value**
Investment in subsidiaries and Associates	300	-	-	-	-	300
Financial assets at fair value through OCI	46,114	159,458	78,073	158	-	283,803
Financial assets at fair value through income	262,324	384,362	147,163	48,072	21,118	863,039
Assets Backing Liabilities - Policyholder risk:	3,078,080	94,153	39,636	2,685	4,802	3,219,356
Receivables including insurance receivables	28,927	-	-	-	-	28,927
Amounts ceded to reinsurers	92,043	-	-	-	-	92,043
Cash and cash equivalents	57,585	-	-	-	-	57,585
Total Financial Assets	3,565,373	637,973	264,872	50,915	25,920	4,545,053
Insurance Provisions	63,436	415,157	72,236	17,685	166,878	735,392
Investment Contracts Where The Risk Is Borne By The Contract / Policy Holder	3,057,675	112,761	131	195	20,812	3,191,574
Investment Contract With Fixed Terms & Guaranteed Minimum Returns	4,439	-	-	-	-	4,439
Payables Including Insurance Payables	156,890	-	-	-	-	156,890
Total Financial Liabilities	3,282,440	527,918	72,367	17,880	187,690	4,088,295

All amounts in €000 unless otherwise stated

2017 *restated	**Cash Flows Due**					
	< 1 Year	**1-5 Years**	**5-10 Years**	**10-20 Years**	**>20 Years**	**Carrying Value**
Investment in subsidiaries and Associates	300	-	-	-	-	300
Held for sale financial asset	19,954	-	-	-	-	19,954
Financial assets at fair value through OCI	*42,178	*157,177	85,104	-	*13	*284,472
Financial assets at fair value through income	*151,881	*426,394	147,097	61,248	*21,648	*808,268
Assets Backing Liabilities - Policyholder risk:	3,404,033	108,163	43,283	3,523	5,275	3,564,277
Receivables including insurance receivables	488,668	-	-	-	-	488,668
Amounts ceded to reinsurers	97,396	-	-	-	-	97,396
Cash and cash equivalents	48,258	-	-	-	-	48,258
Total Financial Assets	*4,252,668	691,734	275,484	64,771	26,936	*5,311,593
Insurance Provisions	166,905	377,235	15,616	35,753	143,401	738,910
Investment Contracts Where The Risk Is Borne By The Contract / Policy Holder	3,384,903	116,702	143	219	22,256	3,524,223
Investment Contract With Fixed Terms & Guaranteed Minimum Returns	3,786	3,785	-	-	-	7,571
Payables Including Insurance Payables	260,545	-	-	-	-	260,545
Total Financial Liabilities	3,816,139	497,722	15,759	35,972	165,657	4,531,249

*restated reference IFRS 9

4.6 Market risks

The Company's primary exposure to market risk is the impact of equity price and currency movements on the fair value of the assets held in the linked funds, on which the fees are based.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

4.6.1 Interest-rate risk

Interest-rate risk is one of the principal risks the Company faces. It is relevant not only to insurance and investment contracts but also to the Company's management of its own assets not specifically or notionally backing particular liabilities.

The major product categories affected by interest-rate risk are annuities, guaranteed-return contracts and investment with DPF contracts. Annuities, because of their long-term nature, are particularly sensitive to interest-rate risk. Accordingly, the Company imposes tight control over the matching of key criteria to minimise the risk taken. In respect of contracts with DPF, the Company has limited exposure provided that the attributable assets are greater than the liabilities. However, should the position reverse, the full shortfall would become the Company's liability. The Company also has contractual rights to impose market value adjustments in order to treat all contract holders fairly.

The Company has entered into a number of investment contracts that guarantee a minimum return, whereby a proportion of any surplus becomes due to the Company, but all of any deficit would be met by the Company. The process for the management of assets backing such liabilities takes due regard for such asymmetries. For short-term insurance contracts, the Company has matched the insurance liabilities with cash and short-term debt.

An average 1% fall in interest rates would affect the returns from the Company's own assets affected by interest rate risk and result in a loss of €6,872 (2017: €7,222).

4.6.2 Price risk

A 10% fall in world indices would result in a loss of €5,161 (2017: €8,210) based on the Company's own equity holdings.

A decrease of 10% in the value of the assets would reduce the asset management fees by €5,192 per annum (2017: €5,402*restated).

All amounts in €000 unless otherwise stated

4.6.3 Foreign currency risk

The Company's ALM framework focuses on matching of currency exposures at a portfolio level.

The Company operates in international markets. Its non-EUR currency exposures are principally to USD and GBP. The assets and liabilities related to insurance and investment contracts are matched by currency as part of the Company's asset liability matching strategy. Exposures from operating activities, therefore, are limited to the emerging profit or loss.

Net financial, monetary assets denominated in currencies other than EUR amount to €44,049 (2017 €93,540).

A strengthening of the EUR by 10% would result in a loss to the Company of:

	Euro to USD	**Euro to GBP**	**Euro to other**	**Total**
As at 31 December 2018	787	2,619	999	**4,405**
As at 31 December 2017	6,096	2,363	895	**9,354**

No forward foreign exchange rate contracts were entered into during the year.

4.7 Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes places either:

In the principal market for the asset or liability; or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liabilities, assuming the market participants act in their economic best interests.

A fair measurement of non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The carrying values, cost less any impairment, of trade receivables and payables are assumed to approximate their fair values.

The following table shows the fair value measurement hierarchy of the Company's assets and liabilities as at 31 December 2018:

All amounts in €000 unless otherwise stated

2018	Fair Value Measurement Using Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Financial assets at fair value through OCI				
Debt security	283,803	-	-	283,803
Total financial assets at fair value though OCI	283,803	-	-	283,803
Financial assets at fair value through profit & loss				
Debt security	685,905	-	1,255	687,160
Investment funds	175,752	-	127	175,879
Investment back to policies where the risk is borne by the policyholder	3,000,388	212,547	6,421	3,219,356
Total financial assets at fair value through profit & loss	3,862,045	212,547	7,803	4,082,395
Total Financial Assets	**4,145,848**	**212,547**	**7,803**	**4,366,198**
Equity & Liabilities				
Investment contracts at fair value through profit & loss	-	3,189,592	6,421	3,196,013
Total Financial Liabilities	**-**	**3,189,592**	**6,421**	**3,196,013**

All amounts in €000 unless otherwise stated

2017 ***restated**	**Fair Value Measurement Using** **Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets				
Held for sale financial asset	-	-	19,954	19,954
Total held for sale financial asset	-	-	19,954	19,954
Financial assets at fair value through OCI:				
Debt security	*284,472	-	-	*284,472
Total financial assets at fair value through OCI	*284,472	-	-	*284,472
Financial assets at fair value through profit & loss:				
Equity security		569		569
Debt security	*719,726		913	*720,639
Investment funds	*86,980		80	*87,060
Investment back to policies where the risk is borne by the policyholder	3,348,465	198,025	17,788	3,564,278
Total financial assets at fair value through profit & loss	*4,155,171	198,594	18,781	*4,372,546
Total Financial Assets	***4,439,643**	**198,594**	**38,735**	***4,676,972**
Equity & Liabilities				
Investment contracts at fair value through profit & loss	-	3,514,006	17,788	3,531,794
Total Financial Liabilities	**-**	**3,514,006**	**17,788**	**3,531,794**

*restated reference IFRS 9

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018 and 2017.

2018	**Held for sale financial asset**	**FA through OCI Equity Securities**	**FA at FVTPL Debt securities**	**FA at FVTPL Investment funds**	**Investment back to policies – policy holder risk**	**Total**
Opening Balance	19,954	-	913	80	17,788	38,735
Purchases / (sales)	(19,954)	-	-	-	(66)	(20,020)
Unrealised gains / (losses)	-	-	43	47	(12,372)	(12,282)
Transfer from level 1 to level 3	-	-	299	-	1,071	1,370
Closing Balance	-	-	1,255	127	6,421	7,803

2017 *restated	**Held for sale financial asset**	**FA at FVTPL Equity Securities**	**FA at FVTPL Debt securities**	**FA at FVTPL Investment funds**	**Investment back to policies – policy holder risk**	**Total**
Opening Balance	-	200,046	4,460	*79,315	20,669	304,490
Purchases / (sales)	-	(218,981)	(2,864)	*(85,530)	297	(307,078)
Realised gains / (losses)	-	106,078	523	*36,018	-	142,619
Unrealised gains / (losses)	-	(87,143)	(687)	*(29,723)	(5,155)	(122,708)
Reclassification of subsidiary to held for sale financial asset	19,954	-	-	-	-	19,954
Transfer from level 1 to level 3	-	-	-	-	1,998	1,998
Transfer from level 3 to level 1	-	-	(519)	-	(21)	(540)
Closing Balance	19,954	-	913	80	17,788	38,735

*restated reference IFRS 9

The own risk Level 3 instruments at 31 December 2018 comprise:

	Holding	**Issuer**	**Name**	**Value € 000's**
Financial asset at fair value through income: Debt security	1,000,000	Eirles Three 182	Var 01/05/2032	956
	236,997	Road Management Consolidated Plc	9.18% bds 10/6/21 GBP (10/6,12)	299
Financial asset at fair value through income: Investment funds	793,502	Tapestry Investment Co PCC	Red Ptg Pref NPV Post Red Nov	127

The Held for sale financial asset movement relates to the sale of Utmost PanEurop dac (formerly Generali PanEurope dac).
Movements under Financial Assets through income – Debt Security includes the reclassification of Road Management Consolidated.

All amounts in €000 unless otherwise stated

5 Intangible assets

	Goodwill	Computer Software	Total
Year-end 31 December 2017			
Opening Net Book Amount	1,261	2,163	3,424
Additions	-	2,970	2,970
Adjustment		1,621	1,621
Impairment – Bahamas	(229)	-	(229)
Amortisation charge	-	(3,428)	(3,428)
Closing Net Book Amount	1,032	3,326	4,358
At 31 December 2017			
Cost	1,261	8,678	9,939
Accumulated Amortisation	(229)	(5,352)	(5,581)
Net Book Amount	1,032	3,326	4,358
Year-end 31 December 2018			
Opening Net Book Amount	1,032	3,326	4,358
Additions	-	2,762	2,762
Disposals	(926)	-	(926)
Impairment – Bahamas	(106)	-	(106)
Amortisation charge	-	(3,275)	(3,275)
Closing Net Book Amount	-	2,813	2,813
At 31 December 2018			
Cost	335	11,440	11,775
Accumulated Amortisation and Impairment	(335)	(8,627)	(8,962)
Net Book Amount	-	2,813	2,813

Amortisation and impairment of €3,381 (2017: €3,657) is included in administrative expenses. All constituents of intangible assets are non-current assets.

All amounts in €000 unless otherwise stated

6 Tangible assets

	Furniture and Fittings	Leasehold Improvements	Total
Year End 31 December 2017			
Opening Net Book Amount	3,242	280	3,522
Adjustment	(1,621)	-	(1,621)
Additions	688	-	688
Depreciation Charge	(1,040)	(32)	(1,072)
Closing Net Book Amount	1,269	248	1,517
At 31 December 2017			
Cost	6,189	356	6,545
Accumulated Depreciation	(4,920)	(108)	(5,028)
Net Book Amount	1,269	248	1,517
Year End 31 December 2018			
Opening Net Book Amount	1,269	248	1,517
Additions	756	-	756
Depreciation Charge	(867)	(32)	(899)
Closing Net Book Amount	1,158	216	1,374
At 31 December 2018			
Cost	6,945	356	7,301
Accumulated Depreciation	(5,787)	(140)	(5,927)
Net Book Amount	1,158	216	1,374

Depreciation expense of €899 (2017: €1,072) has been charged in administrative expenses. All tangible assets are non-current assets.

All amounts in €000 unless otherwise stated

7 Investments in subsidiaries and associates

	2018	2017
As at 1 January	300	173,918
Reclassification to held for sale financial asset	-	(19,954)
Disposal of Subsidiaries	-	(153,664)
As at 31 December – Cost	300	300
Impairment	-	-
As at 31 December – Cost less impairment	300	300

	Country of Incorporation	% of Ordinary Shares Held 2018	2017	Accounting Treatment
Subsidiaries				
Utmost Portfolio Management (CI) Ltd	Guernsey	100	100	Cost less impairment
Participations In Group Companies				
Utmost PanEurope Limited	Republic of Ireland	-	49	Cost less impairment

On 17 December 2017 an SPA for the sale of the Company's entire participation in Utmost PanEurope dac was executed. UW received, as consideration €58 million. The transaction was subject to, inter alia, regulatory approvals and was finalized on 20 June 2018.

All amounts in €000 unless otherwise stated

8 Financial assets

The Company's financial assets are summarised by measurement category in the table below.

	Note	2018	2017 *restated
Held for sale financial asset		-	19,954
Financial assets at fair value through profit & loss	8.1	4,082,395	*4,372,545
Financial assets at fair value through OCI	8.2	283,803	*284,472
Amounts ceded to reinsurers from insurance provisions	15	92,043	97,396
Receivables including insurance receivables	9	28,927	488,668
Cash & cash equivalents	11	57,585	48,258
Total Financial Assets		4,544,753	5,311,293
Amounts Recoverable After 12 Months		-	-

*restated reference IFRS 9

8.1 Financial assets at fair value through profit and loss

	2018	2017 *restated
Financial assets at fair value through profit & loss:		
Equity Securities	-	569
Debt Securities:		
Corporate Bonds, Covered Bonds, Structured Notes	359,266	*369,324
Government Bonds	327,894	351,315
Investment Funds	175,879	*87,060
Assets Backing Liabilities - Policyholder risk:		
Equity Securities	128,951	136,395
Debt Securities - Fixed Interest Rate:		
Corporate Bonds, Covered Bonds, Structured Notes	144,255	178,560
Government Bonds	16,412	12,851
Investment Funds	2,716,413	3,036,945
Derivatives	9	35
Cash	212,547	198,025
Other short term investments	769	1,466
Financial Assets at fair value through profit & loss	4,082,395	*4,372,545

*restated reference IFRS 9

During 2017 the Company enacted the Groups new Master Data Management Policy in relation to the classification of securities.

All amounts in €000 unless otherwise stated

	Financial Assets at fair value through profit & loss
As at 1 January 2017	*4,718,394
FV net gains recognised (excluding net realised gains or losses) in Profit and loss	*358,946
Additions	*1,188,466
Disposals (Sales and Redemptions)	*(1,547,267)
Foreign exchange movement	*(345,994)
As at 31 December 2017	***4,372,545**
FV net loss recognised (excluding net realised gains or losses) in Profit and loss	(423,699)
Additions	1,747,112
Disposals (Sales and Redemptions)	(1,701,441)
Foreign exchange movement	87,878
As at 31 December 2018	4,082,395

In some instances, policyholder risk assets may be subject to a charge in favour of a third party. Under the terms of the charge any liability arising will be settled from the relevant policyholder risk assets.

All amounts in €000 unless otherwise stated

8.2 Financial assets at fair value through OCI

	2018	2017 *restated
Financial assets at fair value through OCI:		
Debt Securities:		
Corporate Bonds, Covered Bonds, Structured Notes	164,717	*169,636
Government Bonds	119,086	114,836
Financial Assets at fair value through OCI	283,803	*284,472

*restated reference IFRS 9

	Financial Assets at fair value through OCI
As at 1 January 2017	*264,376
FV net gains recognised (excluding net realised gains or losses) in Profit and loss	*(1,651)
Additions	*52,742
Disposals (Sales and Redemptions)	*(30,886)
Foreign exchange movement	*(109)
As at 31 December 2017	***284,472**
FV net loss recognised (excluding net realised gains or losses) in Profit and loss	(4,474)
Additions	112,736
Disposals (Sales and Redemptions)	(108,994)
Foreign exchange movement	63
As at 31 December 2018	**283,803**

All amounts in €000 unless otherwise stated

9 Receivables including insurance receivables

	2018	2017
Receivables arising out of direct insurance contracts:		
Due from contract holders	23,190	20,122
Receivables arising from reinsurance contracts:		
Due from contract holders	1,932	9,147
Other receivables:		
Receivables due from other related parties	526	454,371
Incomes tax receivables	161	547
Investment trade settlements due	295	3,349
Other	2,823	1,132
	28,927	488,668
Current portion	28,927	488,668
	28,927	488,668

Investment trade settlements are effected against delivery or payment, eliminating the counterparty risk.

10 Derivative financial instruments

Currently the Company holds no own risk derivatives. Policy holders hold a very small number of derivatives at their own risk.

All amounts in €000 unless otherwise stated

11 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2018	**2017**
Cash at bank	43,816	34,617
Cash at policyholder risk	5,313	9,014
Short term deposits	8,456	4,627
Cash and Cash Equivalents	57,585	48,258

The effective Euro interest rate on short-term bank deposits was approximately -0.60% (2017: -0.60%). With negative interest rates being experienced currently no Euro deposits are being placed.

12 Accrued income and prepayments

	2018	**2017**
Prepaid acquisition costs 'DAC'	3,170	3,937
Bond interest	6,499	7,148
Other accrued income	4,010	3,497
Total Accrued Income and Prepayments	13,679	14,582
Current portion	13,679	14,582
	13,679	14,582

13 Share Capital

	Authorised Shares €	Issued Shares €	Total Share Capital €
As at 31 December 2017	460,170,000	346,903,472	346,903,472
As at 31 December 2018	460,170,000	346,903,472	346,903,472

The Company has issued 346,903,472 (2017: 346,903,472) ordinary shares at nil premium (2017: €nil), resulting in total share capital of €346,903,472 (2017: €346,903,472). The total authorised number of ordinary shares is 460 million (2017: 460 million), with a par value of €1 per share (2017: €1 per share). All issued shares are fully paid.

All amounts are noted in €'s not 1,000's of €'s.

All amounts in €000 unless otherwise stated

14 Reserves

	2018	2017 *restated
Hong Kong Required Solvency Margin	5,983	25,159
Equity Component Reserve	1,249	1,111
Non-Distributable Reserve	7,232	26,270
Unrealised gains / (losses) on FA at FVOCI	(5,401)	*(2,092)
Exchange Reserve	(631)	(631)
Re-measurement Reserve	(1,005)	(2,325)
Revenue Reserve	88,753	*389,386
Total Reserves	88,948	410,608

*restated reference IFRS 9

Hong Kong Required Solvency Margin
The Company has designated certain retained earnings as non-distributable in the normal course of business, in order to comply with Hong Kong regulatory solvency requirements.

Equity component of Discretionary Participation Feature (DPF)
The Company has implemented the advice of its Appointed Actuary in designating the equity component of DPF as non-distributable in the normal course of business.

The equity component of DPF originates from insurance contracts and investment contracts with DPF. The holders of these contracts can receive, as a supplement to guaranteed benefits, additional benefits each year arising from discretionary bonuses declared by the Company. There are participation rules defined in each contract, which determine the proportion of bonuses declared that are allocated to contract holders. The residual unallocated part of the bonuses declared are allocated to the Company's shareholders.

The assets backing the DPF are segregated. The expected allocation of future bonuses to contract holders from the current surplus is recognised as a liability; the remainder of the surplus is recognised as the equity component of the DPF. Contract holders do not have an automatic right to receive such surplus and shareholders are not fully entitled to consider any portion of such surplus as distributable retained earnings until the allocation between contract holders and shareholders takes place. The surplus will reduce should the underlying investments fall in value without a corresponding fall in the liability to policyholders.

Exchange reserve
The exchange reserve arose on the redenomination in 1999 of the Company’s share capital.

Revenue reserve
The revenue reserve forms the balance of the shareholders’ equity. It is fully distributable, subject to the constraints imposed by the requirements of the Company (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002.

All amounts in €000 unless otherwise stated

15 Insurance liabilities and reinsurance assets

	2018	2017
Non-Life Insurance Contracts		
Claims reported & loss adjustment expenses - Direct business	19,746	1,082
Claims incurred but not reported - Direct business	43,070	59,255
Unearned premiums	17,123	14,718
Short Term Insurance Contracts		
Claims reported & loss adjustment expenses - Direct business	62,559	75,302
Claims incurred but not reported - Direct business	4,462	4,090
Unearned premiums	7,334	5,653
Provision for profit sharing	1,499	793
Long term Insurance Contracts		
Mathematical provision - Direct business	515,666	508,662
Provision for policies where the investment risk is borne by the Policyholder	14,917	17,339
Provision for liability adequacy	6,541	6,404
Insurance Liabilities - Direct business	692,917	693,298
Non-Life Insurance Contracts		
Claims reported & loss adjustment expenses – reinsurance accepted	151	500
Claims incurred but not reported – Reinsurance accepted	13,939	10,230
Unearned premiums – Reinsurance accepted	962	2,072
Long term Insurance Contracts		
Mathematical provision - Reinsurance accepted	27,423	32,810
Insurance Liabilities - Reinsurance Accepted	42,475	45,612
Total Insurance Liabilities - Gross	735,392	738,910

	2018	2017
Recoverable From Reinsurers		
Non-Life Insurance Contracts		
Claims reported & loss adjustment expenses - Direct business	(121)	-
Claims incurred but not reported - Direct business	(5,521)	(5,521)
Unearned premiums	(16,608)	(13,596)
Short Term Insurance Contracts		
Claims reported & loss adjustment expenses - Direct business	(58,950)	(69,075)
Claims incurred but not reported - Direct business	(3,865)	(3,612)
Unearned premiums	(5,874)	(4,476)
Provision For Profit Sharing	(148)	(119)
Long term Insurance Contracts		
Mathematical provision - Direct business	(931)	(972)
Provision for policies where the investment risk is borne by the Policyholder	(25)	(25)
Total Reinsurers Share Of Insurance Liabilities	(92,043)	(97,396)
Net Position	643,349	641,514

All amounts in €000 unless otherwise stated

	2018	2017
Net Position Is Made Up As Follows		
Non-Life Insurance Contracts		
Claims reported & loss adjustment expenses - Direct business	19,776	1,582
Claims incurred but not reported - Direct business	51,488	63,964
Unearned premiums	1,477	3,194
Short Term Insurance Contracts		
Claims reported & loss adjustment expenses - Direct business	3,609	6,227
Claims incurred but not reported - Direct business	597	478
Unearned premiums	1,460	1,177
Provision for profit sharing	1,351	674
Long term Insurance Contracts		
Mathematical provision	542,158	540,500
Provision for policies where the investment risk is borne by the Policyholder	14,892	17,314
Provision for liability adequacy	6,541	6,404
Total Insurance Liabilities - Net	643,349	641,514

15.1 Non-life insurance contracts (excluding those covering life risks) – assumptions, change in assumptions and sensitivity

Process used to decide on assumptions for reserving

Medical claims reserves are developed using accepted actuarial reserving techniques in compliance with Actuarial Standard of Practice 5, "Incurred Health and Disability Claims", a methodology which is commonly used in the healthcare industry. The Development (or Lag) Method is used where historical claim data is collected by paid and incurred date. This data is used to estimate the percentage or amount of completion needed to project all future claims incurred prior to the valuation date. "Completion factors" are estimated for each incurred month based on historical claim payment patterns. If large claims data is available with paid and incurred dates, the historical patterns may be modified to exclude the effect of these claims. Completion factors for the most recent months are often too volatile to use. Therefore, for the most recent months, completion patterns are reviewed and significant judgement is applied because of the substantial fluctuations in historical completion percentages for these immature months.

Commercial claims reserves consist of gross claims received but as yet un-validated (as assessed by the third party claims managers) and Claims Incurred But Not Reported (IBNR). The IBNR reserve is an assessment of future claims incurred prior to the valuation date and is based on historic triangulated claims data.

These methodologies were used for prior year comparisons.

15.2 Long-term and short-term life insurance contracts – key assumptions and sensitivity

15.2.1 Mortality assumptions

The mortality tables used are base tables of standard mortality relevant to the particular type of product. An investigation into the Company's own longevity experience was made during 2018, and the results were reflected in statistical adjustments to the tables allowing for the statistical credibility of the Company's own experience.

Annuity Products
Allowance is made for future mortality improvements based on trends identified in the Continuous Mortality Investigations of the Institute and Faculty of Actuaries.

The mortality assumptions for both females and males were reviewed and updated in 2017.

15.2.2 Partial surrender assumptions

Partial surrender rates are assumed at line of business level. The most critical assumptions were 7.75% pa for Vision and 4.25% for Retail Portfolio Bonds.

15.2.3 Outstanding claims duration assumptions

The calculations of Outstanding Claim Reserve (OCR) use assumptions in respect of the rate of recovery from disability based on the Company's experience. The expectations of future claims durations were last updated in 2013.

15.2.4 IBNR Reserve assumptions

The calculation of IBNR reserve assumes that as yet unreported claims can be estimated in relation to premiums and utilises claim reporting delays taking into account past experience.

15.2.5 Policy expenses assumptions

The Company's liability models use explicit expense assumptions and are verified by experience analysis.

All amounts in €000 unless otherwise stated

15.3 Economic reference data

The economic assumptions are based on the following reference data:

		2018 %	2017 %
UK Government Bond Yields	5 Year	0.89	0.77
	10 Year	1.21	1.23
	20Year	1.75	1.77
Index Linked Real Yields	10 Year	(2.03)	(1.87)
European Government Bond Yields	5 Year	(0.17)	(0.16)
	10 Year	0.43	0.55
	20 Year	0.79	1.11
US Agency Bond Yields	5 Year	2.75	2.27
	10 Year	2.91	2.70
	20 Year	3.04	3.02
Swiss Government Bond Yields	5 Year	(0.51)	(0.49)
	10 Year	(0.10)	(0.13)
	20 Year	0.37	0.27
Cash Rates	GBP	0.00	0.00
	USD	1.35	0.70
	EUR	0.00	0.00
Corporate Credit Spreads Over A Rated Corporate Bonds	GBP	1.16	0.60
	USD	0.84	0.49
	EUR	0.87	0.55

15.3.1 Discount rate assumptions

The liability discount rates are generally risk-free discount rates based on government bond yields. For the annuity product and long-term disability claims, the liability discount rates reflect the yields obtained on these segregated asset portfolios. The portfolios have individually defined investment guidelines including asset allocation strategies that reflect the Company's approach to ALM. Reinvestment risk is largely overcome through the ALM strategy. The discount rates were no greater than 97.5% of the risk-adjusted yields achieved on the assets and their reinvestment and investment of future premiums. The discount rates were further reduced by a default margin to make allowance for credit risk. It is noted that some liability discount rates are negative reflecting the negative market yields experienced in certain European countries. The discount rates for annuity products are set below.

		2018 %	2017 %
Annuity Products	GBP	2.15	1.78
	USD	3.02	2.59
	EUR	1.16	1.04
	CHF	(0.32)	(0.30)

The discount rates used to determine the outstanding claim reserves for Long Term Disability claims are determined based on government bond yields of approximately 4-year duration, and are as follows:

All amounts in €000 unless otherwise stated

		2018 %	2017 %
Long Term Disability Claim Reserves	GBP	0.83	0.67
	USD	2.68	2.08
	EUR	(0.27)	(0.26)
	CHF	(0.57)	(0.56)

Provisions for investment contracts with DPF are determined on an undiscounted deposit account basis.

15.3.2 Maintenance expense inflation assumptions

For the majority of individual unit linked products in the first five years of projections, the expense inflation rate was uplifted to reflect the impact of new business volumes and costs, as a result of changes to the business strategy. For Vision and Choice, the expense inflation is uplifted to 7.0% in year 1, thereafter falling gradually over the first 5 years, whilst for Retail Portfolio Bonds the expense inflation is uplifted to 4% for the first 3 years, then falling to 3.5% for year 4 and 3% for year 5. For all business, the implied inflation curve is used from year 6.

15.4 Sensitivity analysis

The sensitivity to change in assumptions was considered. The key sensitivity is to expense assumptions. An increase in expenses per policy by 10% has been estimated to increase the provisions by €11.1 million.

16 Financial liabilities at fair value through profit and loss

	2018	2017
Investment contracts where the investment risk is borne by the contract holder	3,191,574	3,524,223
Investment contracts with fixed terms & guaranteed minimum returns	4,439	7,571
Total Financial Liabilities at fair value through profit & loss	3,196,013	3,531,794

All amounts in €000 unless otherwise stated

17 Payable Including Insurance Payables

	2018	2017
Payables Arising Out Of Direct Insurance Operations	7,263	10,012
Payables Relating To Investment Contracts	49,452	61,511
Investment Trade Settlements Due	1,051	-
Payables Arising Out Of Reinsurance Operations	27,111	27,836
Reinsurance deposits	57,788	58,508
Income Tax	12	299
Social Security & Other Tax Payables	399	604
Payable to other related parties	-	89,518
Other Payables	13,814	12,257
Total payables including insurance payables	156,890	260,545
Current Portion	156,890	260,545

The Company has the legal right to offset the reinsurance deposits included in the above table against the receivables due from contract holders, which have arisen from reinsurance contracts. (Note 9).

18 Accruals and deferred income

	2018	2017
Deferred Income Liability	37,484	41,371
Accruals	5,085	4,357
	42,569	45,728

All amounts in €000 unless otherwise stated

19 Retirement benefit obligations

The amounts recognised in the statement of financial position for pension benefits are determined as follows:

Retirement Benefit Obligation	**2018**	**2017**
Present Value Of Funded Obligations	(22,031)	(27,927)
Fair Value Of Plan Assets	25,827	30,365
Net Asset Recognised In the Statement of financial position	3,796	2,438

The Amounts Recognised In The Statement Of Comprehensive Income Are as Follows

Net Interest On Defined Benefit Obligation	(63)	53
Re-Measurement Recognised	1,320	3,395
Actual Return On Fund Assets	(1,406)	2,698

Change in Defined Benefit Obligation	**2018**	**2017**
Defined Benefit Obligation At 1 January	27,928	30,182
Effect Of Exchange Rate Differences On Liabilities	(297)	(1,168)
Benefits Paid	(2,811)	(441)
Interest On Obligation	682	749
Experience Gains	(865)	(414)
Gains From Changes In Financial Assumptions	(2,474)	-
Gains From Changes In Demographic Assumptions	(132)	(980)
Defined Benefit Obligation At 31 December	22,031	27,928

Change of fair value of Plan Assets	**2018**	**2017**
Opening Fair Value Of Plan Assets	30,365	26,900
Effect Of Exchange Rate Differences On Assets	(321)	(1,042)
Interest On Assets	745	696
Return On Assets (Not Including Interest)	(2,151)	2,002
Contribution By Employer	-	2,250
Benefits Paid	(2,811)	(441)
Closing Fair Value Of Plan Assets	25,827	30,365

The weighted average duration of the liabilities of the Fund was 27 years as at 31 December 2018 (2017: 27 years).

All amounts in €000 unless otherwise stated

Plan Asset Disaggregation by Asset Class	**2018 %**	**2017 %**
Equities	64.4	61.6
Gilts	7.4	6.5
Corporate Bonds	20.6	18.7
Property	3.3	3.7
Cash	4.3	9.5
	100	100

Plan Assumptions	**2018 %**	**2017 %**
Discount rate at end of year	2.8	2.6
Discount rate at start of year	2.6	2.6
Inflation	3.3	3.6
Rate of increase in deferred pensions	3.2	3.4
Rate of increase in pension payments	3.2	3.4
Rate of increase in pensions in payment for former Sun Alliance members	3.5	3.5

Mortality Assumptions
The mortality assumptions are based on standard mortality tables, which allow for future mortality improvements. The assumptions are that a member aged 63 will live on average until age 88.1 if they are male and until age 89.2 if female.

For a member currently aged 45 the assumptions are that if they attain age 63 they will live on average until age 89.6 if they are male and until age 90.9 if female.

Sensitivity Analysis
The following table illustrates the sensitivity of the Defined Benefit Obligation at 31 December 2018 to changes in the significant actuarial assumptions.

		2018 Impact on Defined Benefit Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount Rate	0.5%	Decrease by 12.2%	Increase by 14.3%
Inflation	0.5%	Increase by 11.0%	Decrease by 9.7%
Pension Increases	0.5%	Increase by 8.2%	Decrease by 7.4%
		Change to 105%	**Change to 95%**
Scaling Factor applied to base mortality table		Decrease by 1. 3%	Increase by 1.4%

All amounts in €000 unless otherwise stated

		2017 Impact on Defined Benefit Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount Rate	0.5%	Decrease by 12.6%	Increase by 10.4%
Inflation	0.5%	Increase by 11.4%	Decrease by 7.6%
Pension Increases	0.5%	Increase by 8.5%	Decrease by 7.9%
		Change to 105%	**Change to 95%**
Scaling Factor applied to base mortality table		Decrease by 1.4%	Increase by 1.5%

Funding Policy

Following the cessation of accrual of benefits with effect from 31 December 2010, regular contributions to the Fund are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation. The funding method employed to calculate the value of previously accrued benefits is the Attained Age Method. During the financial period the Trustee and Assicurazioni Generali SpA agreed the level of contributions payable to the Fund by the Company to meet any shortfall arising following an actuarial valuation, with the proviso that the payment of contributions will be spread over a period of not more than five years from the valuation date.

The amounts recognised during the year for payments to the defined benefit schemes amounted to €NIL (2017: €2,250).

20 Insurance premium revenue

	2018	2017
Direct Insurance Contracts		
Premium Revenue Arising From Insurance Contracts Issued	147,270	144,309
Accepted Reinsurance Contracts		
Premium Revenue Arising From Insurance Contracts Accepted	4,849	4,503
Reinsurance contracts ceded		
Premium revenue ceded to reinsurers on insurance contracts	(84,542)	(72,676)
Total Insurance Premium Revenue	67,577	76,136

21 Income from subsidiaries and associates

	2018	2017
Profit on disposal of Subsidiaries	36,751	173,800
Dividend & income from other related parties	500	2,006
Total income from Subsidiaries & Associates	37,251	175,806

All amounts in €000 unless otherwise stated

22 Net income / (Expenses) from financial instruments at fair value

	2018	2017 *restated
Dividend income		
Financial instruments at fair value through profit & loss – own risk	67	344
Financial instruments at fair value through profit & loss – policyholder risk	19,722	22,110
Total dividend income	19,789	22,454
Interest		
Income from financial instruments at FVOCI – own risk	3,100	*3,260
Income from financial instruments at fair value through profit & loss – own risk	15,032	15,456
Income from financial instruments at fair value through profit & loss – policyholder risk	1,578	2,802
Expense from financial instruments at fair value through profit & loss – policyholder risk	-	(44)
Net interest income	19,710	*21,474
Net Realised Gains & (Losses) On Financial Assets		
Gain on financial assets at fair value through OCI – own risk	287	-
Loss on financial assets at fair value through OCI – own risk	(1,406)	-
Gain on financial assets at fair value through profit & loss – own risk	5,746	*2,839
Loss on financial assets at fair value through profit & loss – own risk	(2,927)	*(19,987)
Gain on financial assets at fair value through profit & loss – policyholder risk	148,947	125,884
Loss on financial assets at fair value through profit & loss – policyholder risk	(31,260)	(40,513)
Net realised gains & (losses) on financial assets	119,387	68,223
Net Unrealised Gains & (Losses) On Financial Assets		
Gain on financial assets at fair value through OCI – own risk	-	*56,353
Loss on financial assets at fair value through OCI – own risk	(8,677)	*(166,995)
Gain on financial assets at fair value through profit & loss – own risk	3,497	37,926
Loss on financial assets at fair value through profit & loss – own risk	(14,195)	*(41,489)
Gain on financial assets at fair value through profit & loss – policyholder risk	334,008	330,816
Loss on financial assets at fair value through profit & loss – policyholder risk	(454,158)	(395,248)
Net unrealised gains & (losses) on financial assets	(139,525)	*(178,637)
Net income / (expense) from financial instruments at fair value	**19,361**	***(66,486)**

*restated reference IFRS 9

All amounts in €000 unless otherwise stated

23 Net insurance benefits and claims

2018	**Gross**	**Reinsurance Recovery**	**Net**
Payments, Direct & Accepted Insurance	125,245	(50,319)	74,926
Movements in provisions			
Other long term insurance contracts & investment contracts with DPF	(7,704)	86	(7,618)
Other, including short term insurance contracts	(11,063)	11,488	425
	(18,767)	11,574	(7,193)
Total Net Insurance Benefits & Claims	106,478	(38,745)	67,733

2017	**Gross**	**Reinsurance Recovery**	**Net**
Payments, Direct & Accepted Insurance	117,911	(36,188)	81,723
Movements in provisions			
Other long term insurance contracts & investment contracts with DPF	(2,993)	(16)	(3,009)
Other, including short term insurance contracts	16,863	(19,254)	(2,391)
	13,870	(19,270)	(5,400)
Total Net Insurance Benefits & Claims	131,781	(55,458)	76,323

24 Interest expense

	2018	**2017**
Interest Expense		
Bank borrowings & other charges	43	56
Total Interest Expense	43	56

All amounts in €000 unless otherwise stated

25 Administration costs

	Note	2018	2017
Depreciation, Amortisation & Impairment Charges	5&6	4,280	4,729
Employee Benefit Expense	26	18,693	18,810
Operating Lease Rentals		1,486	1,661
Software Costs		2,427	2,176
Audit Fees		357	307
Non-Audit Fees		108	141
Purchase of Other Goods and Services		9,489	7,641
Total Administration Costs		36,840	35,465

26 Employee benefit expense

	2018	2017
Wages & Salaries	16,771	16,873
Social Security Costs	813	828
Pension Costs - Defined Contribution Plans	1,109	1,109
Total Employee Benefit Expense	18,693	18,810

27 Income taxes

	2018	2017
Current tax	(1)	609
Total Income Tax	(1)	609
Profit Before Tax	51,317	*261,338
Theoretical Tax Calculated At The Agreed Tax Rate Of 10%	(5,132)	*(26,134)
Permanent and Double Taxation Differences On Profits Tax In Other Jurisdictions	5,133	*25,525
Total	1	(609)

*restated reference IFRS 9

Tax on the Company's profit differs from the theoretical amount that would arise on the taxable profit using the standard rate of Guernsey taxation applicable to the Company as follows:

The applicable tax rate for the year in Guernsey was 10% on local business (2017: 10%). Applicable tax rates in other jurisdictions where the Company suffers taxation were 16.5% in Hong Kong (2017: 16.5%) and 12.5% in Ireland (2017: 12.5%) and 17% in Singapore (2017: 17%).

Management recognises that there are carried forward losses in the Singapore Branch of €4,965 but has chosen at this stage not to recognise a deferred tax asset until future profits are more probable.

All amounts in €000 unless otherwise stated

28 Cash generated from operations

	2018	2017
Insurance Premium Received	183,131	145,575
Reinsurance Premium Paid	(89,688)	(83,560)
Insurance Benefits & Claims Paid	(154,106)	(118,156)
Reinsurance Claims Received	53,440	55,863
Investment Contracts Receipts	51,315	484,880
Investment Contracts Benefits Paid	(474,097)	(557,740)
Commission and Fee Income	66,479	74,199
Payments To Intermediaries To Acquire Insurance & Investment Contracts	(39,499)	(40,178)
Cash Paid To Employees, Intermediaries & Other Suppliers For Services & Goods	(44,422)	(34,186)
Dividend Received	20,729	24,816
Interest Received	20,834	22,417
Net Realised Gain / (Loss)	2,182	(84,906)
Other Operating Cash Flows	32,901	(1,367)
Net Sale / (Purchase) Of Operating Assets		
Equity Securities	274,699	169,406
Debt Securities	20,438	(35,599)
Total –cash generated from operations	(75,664)	21,464

The Group classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance and investment contracts, net of the cash flows for payments of insurance benefits and claims and investment contracts benefits.

29 Contingencies, commitments and guarantees

In the normal course of business, the Company is subject to matters of litigation or arbitration. While there can be no assurances, at this time the directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Company.

The Company is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts, and it has complied with all the local solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with these regulations.

Commitments
Investment commitments
The Company had uncalled capital contributions at the statement of financial position date of €nil (2017: €nil).

Operating lease commitments – where the Company is the lessee
The Company leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Operating Lease Commitments - Where The Company Is The Lessee	2018	2017
No Later Than One Year	2,171	2,213
Later Than One Year & No Later Than 5 Years	6,527	6,958
Later Than 5 Years	5,684	7,221

All amounts in €000 unless otherwise stated

30 Segment Report of The Bahamas direct business regulated by The Insurance Commission of The Bahamas

	2018		2017	
	€	B$	€	B$
Assets				
Tangible Assets	192	209	299	338
Investments				
Other Investments	22	25	3,433	4,127
Amount ceded to reinsurers from insurance provisions	2,820	3,229	2,723	3,274
UPR Amount ceded to reinsurers from insurance provisions	7,591	8,693	6,037	7,257
Receivables				
Receivables arising out of direct insurance operations	1,396	1,599	758	911
UPR Receivables arising out of direct insurance operations	7,899	9,046	6,283	7,553
Other receivables	-	-	1,148	1,380
Cash and cash equivalents	10,587	12,123	6,851	8,235
Accrued income and prepayments	50	75	379	470
	30,557	34,999	27,911	33,545
Liabilities				
Revenue Reserves	2,796	3,208	(223)	(276)
Insurance provisions, direct insurance	3,156	3,614	3,353	4,031
UPR Insurance provisions, direct insurance	7,899	9,046	6,283	7,553
Payables				
Payables arising out of direct insurance operations	953	1,092	28	34
UPR Payables arising out of direct insurance operations	2,043	2,340	2,948	3,544
Payables arising out of reinsurance operations	7,591	8,693	6,037	7,257
Other payables	324	371	221	265
Other Liabilities	5,795	6,635	9,264	11,137
	30,557	34,999	27,911	33,545

B$ - Bahamian Dollars

All amounts in €000 unless otherwise stated

Segment Report of The Bahamas direct business regulated by The Insurance Commission of The Bahamas (continued)

		2018		**2017**
	€	B$	€	B$
Gross earned premiums	24,965	29,422	22,843	25,965
Earned premium ceded	(23,874)	(28,111)	(17,141)	(19,728)
Net earned premiums	1,091	1,311	5,702	6,237
Interest and other investment income	33	39	37	43
Other income	990	1,165	945	1,086
Net insurance benefits and claims	64	100	4,255	4,717
Expenses for the acquisition of insurance and investment contracts	(966)	(1,164)	596	664
Administration costs	(292)	(357)	1,076	1,236
Other expenses	811	980	178	209
Losses on foreign currency	42	49	-	-
Revaluation	(342)	(302)	802	826
Total expenses	(683)	(694)	6,907	7,652
Profit / (loss) before tax	2,797	3,209	(223)	(286)
Income taxes	-	-	-	-
Profit / (loss) for the year	2,797	3,209	(223)	(286)

B$ - Bahamian Dollars

All amounts in €000 unless otherwise stated

31 Segment Report of The Caymans direct business regulated by the Cayman Island Monetary Authority

	2018		2017	
	€	$	€	$
Assets				
Investments				
Amount ceded to reinsurers from insurance provision	2,822	2,627	2,622	2,775
UPR amount ceded to reinsurers from insurance provision	9,017	10,326	7,560	9,088
Receivables				
Receivables arising out of direct insurance operations	266	304	672	819
UPR receivables arising out of direct insurance operations	9,301	10,651	7,814	9,393
Other receivables	-	-	1,003	1,206
Cash and cash equivalents	6,958	7,968	7,802	9,380
Accrued income and prepayments	289	331	300	361
	28,653	32,207	27,773	33,022
Liabilities				
Revenue Reserves	1,554	995	1,099	2,748
Insurance provisions				
Insurance provision, direct insurance	2,968	2,789	2,928	3,143
UPR insurance provision, direct insurance	9,301	10,651	7,814	9,393
Payables				
Payables arising out of direct insurance operations	2,765	3,593	1,676	2,388
Payables arising out of reinsurance operations	(389)	(445)	1,986	2,389
UPR payables arising out of direct insurance operations	9,017	10,326	7,560	9,088
Other payables	16	18	24	29
Other Liabilities				
Accruals and deferred income	3,421	4,280	4,686	3,844
	28,653	32,207	27,773	33,022

All amounts in €000 unless otherwise stated

Segment Report of The Caymans direct business regulated the Cayman Island Monetary Authority

	2018		2017	
	€	$	€	$
Gross earned premiums	23,048	26,916	20,661	23,318
Earned premium ceded	(22,304)	(26,058)	(16,187)	(18,435)
Net earned premiums	744	858	4,474	4,883
Interest and other investment income	1	1	1	1
Other income	907	1,069	1,046	1,205
Net insurance benefits and claims	622	759	2,286	2,477
Interest expense				
Expenses for the acquisition of insurance and investment contracts	(207)	(243)	1,027	1,164
Other expenses	1	2	3	3
Losses on foreign currency	73	-	64	20
Revaluation	(391)	415	1,042	(323)
Total expenses	98	933	4,422	3,341
Profit before tax	1,554	995	1,099	2,748
Income taxes	-	-	-	-
Profit for the year	1,554	995	1,099	2,748

All amounts in €000 unless otherwise stated

32 Related-party transactions

The following transactions were carried out with related parties.

a)

	Note	2018	2017
Amounts (payable to) / owed by other related parties reference insurance contracts			
Reinsurance assets relating to business ceded to other related parties		77,863	77,454
Provision for reinsurance accepted from other related parties		(15,053)	(12,802)
Reinsurance deposits received from related parties		(57,746)	(58,422)
Insurance & reinsurance payables to other related parties		(24,195)	(22,732)
Insurance & reinsurance receivables due from other related parties		1,890	8,744
Sales and purchases of insurance contracts with other related parties			
Reinsurance premium accepted from other related parties		(4,849)	(4,503)
Change in provisions for insurance accepted from other related parties		2,711	1,747
Reinsurance premium ceded to other related parties		85,998	80,330
Claims recovered from other related parties		(48,266)	(33,319)
Claims paid to other related parties on accepted reinsurance,		446	1,153
Commission received from other related parties		(15,405)	(11,252)
Commission paid to other related parties		45	137
Change in reinsurance assets relating to business ceded to other related parties		3,189	(28,051)

b)

	Note	2018	2017
Income / Expenses from Group entities			
Dividend income received UPM		(500)	(2,006)

c)

	2018	2017
Key management compensation		
Salaries & other short term employee benefits	1,266	1,412
Post-employment benefit	175	185

d)

	2018	2017
Transaction with parent		
Dividend paid	6,388	27,422

All amounts in €000 unless otherwise stated

The Company shares its offices with some of its subsidiaries and other related parties. Some services are purchased by one related party on behalf of all and the costs allocated on an equitable basis. These recharges typically cover areas such as office services, shared personnel costs, rent and rates. The Company also provides services to a Group joint venture, for which a fee is charged.

e)

	2018	**2017**
Balances with subsidiaries		
Utmost Portfolio Management (UPM) (formerly GPM) receivable	289	45
Payable to Utmost PanEurope (Held for sale)	-	(641)
Transactions with subsidiaries		
UPM recharges	534	834
(Income) from Utmost PanEurope (Held for sale)	(248)	(66)

f)

	2018	**2017**
Balances with joint ventures		
Receivable from the Generali UAE Branch	426	527
Transactions with joint venture		
Income from the Generali UAE Branch	(2,140)	(2,364)

g)

	2018	**2017**
Balances with other related parties		
Receivable from Utmost Link	253	7
Receivable from PMGH	2,173	-
Receivable from Generali Personenversicherungen AG	15	-
Transactions with related parties		
Expenses from Generali Group – brand royalties	230	329
Expenses from Assicurazioni Generali SpA – Trieste	-	324
Expenses from Generali Personenversicherungen AG	22	20
Expenses from Generali Hong Kong	-	327
Expenses from Utmost Link	5,001	5,492

h) The Company reinsures certain insurance exposures to related and non-related parties. The Company also accepts reinsurance whereby a related party's policyholders invest in funds provided by the Company.

	2018	**2017**
Balances in relation to reinsurance		
Amounts payable to related parties	(2,649)	(3,714)
Provisions ceded	25	25

All amounts in €000 unless otherwise stated

i)

	2018	2017
Balances reference disposal of strategic investments		
Share premium payable	-	(75,115)
Dividend payable	-	(14,403)
Disposal of strategic investments receivable	-	454,433
Transactions reference disposal of strategic investments		
Share premium	-	294,958
Interest income	-	(66)
GW Beta sale proceeds	-	(218,981)
Redoze sale proceeds	-	(327,463)
Multi inc. GFH2 sale proceeds	-	(86,141)
KKR sale proceeds	-	(40,763)

j) *Retirement benefit obligations*
Transactions and balances arising from the Company's retirement benefit obligations are disclosed in note 19.

33 Post balance sheet events

An agreement for the proposed acquisition of the Company by the Utmost Group of Companies (formerly the Life Company Consolidation Group) from the Generali Group (the "Generali Group") was announced on 19 July 2018. Following regulatory approvals, the acquisition process completed on 28 February 2019 at which point control of the Company passed to the Utmost Group of Companies (the "Utmost Group") and the name of the Company changed from Generali Worldwide Insurance Company Limited to Utmost Worldwide Limited.

The Company entered into a share repurchase agreement with UIG Holdings (No 6) Limited (as sole shareholder) on 28 February 2019. 230,000,000 €1 ordinary shares were repurchased by the Company, with the shares cancelled upon acquisition and a consideration of €230,000,000 distributed to UIG Holdings (No 6) Limited out of capital.

Additional changes that took place on 28 February 2019 include a redenomination of the Company's share capital from Euro to Sterling (the Company's authorised share capital now consists of 150,000,000 £1 Ordinary shares of which 100,230,698.82 are in issue, alongside certain changes to the Company's Board of Directors, which are detailed below:

Resignations: Ludovic Bayard
Francesco Bosatra
Alessandro Corsi
Andy Smart

Appointments: Ian Maidens
Andrew Paul Thompson
Mark Thompson
Leon Steyn

Furthermore, on 28 February 2019 Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited) became the sponsoring employer of, and assumed responsibility for certain guarantees previously given by Assicurazioni Generali SpA in relation to the Assicurazioni Generali SpA Guernsey Resident Pension Fund ("the Fund"), which is a funded defined benefit arrangement.