

RMIS (RTW) Limited
**(Formerly RELIANCE MUTUAL
INSURANCE SOCIETY LIMITED)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

Registered in England No: 00491580
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Tunbridge Wells, Kent, TN1 1RG
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THURSDAY



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Report of the Directors

The Directors present their annual report and financial statements for RMIS (RTW) Limited ("The Society") and its Group for the year ended 31 December 2017. The Society, previously known as Reliance Mutual Insurance Society Limited changed its name to RMIS (RTW) Limited on 17 May 2018. The Society together with its subsidiaries, Reliance Unit Managers Limited, Reliance Administration Services Limited, Reliance Pension Scheme Trustees Limited and RL Dormantco Limited formed the consolidated "Group".

Directors

The directors who served throughout the period up to the date of signing the financial statements are noted below.

Seamus Creedon (Chairman)

Ed Gardner

Nigel Sherry

The directors who were appointed or resigned in the period up to the date of signing the financial statements are noted below.

Paul Thompson (Appointed 1 April 2018)

Ian Maidens (Appointed 1 April 2018)

Stephen Shone (Appointed 1 April 2018)

Mark Goodale (Resigned 1 April 2018)

Oliver Johnson (Resigned 1 April 2018)

Sophie O'Connor (Resigned 1 April 2018)

Chris Lerpiniere (Resigned 1 April 2018)

Directors' interests

All Directors who served during the year, with the exception of Sophie O'Connor and Ed Gardner, were members and policyholders of the Society. Mark Goodale, Seamus Creedon and Nigel Sherry had shareholdings in the subsidiary companies as nominees of the Society. No Director had any beneficial interest in the subsidiary companies.

Liability insurance

During the year the Society purchased and maintained liability insurance for its Directors and officers as permitted by the Companies Act 2006.

Post Balance Sheet Event

The Society signed an agreement with Life Company Consolidation Group ("LCCG") on 3 February 2017, to transfer its business to a newly formed subsidiary of LCCG, Reliance Life Limited ("Reliance Life"). The transfer was approved by the members at the General Meeting on 14 December 2017 and by the High Court on 15 March 2018.

The effective date of the business transfer was 1 April 2018 when all assets and liabilities of the Society were transferred to Reliance Life other than the amount retained as cash in respect of the proceeds to be paid to members. This retained cash is an initial estimate of £23m.

The deal included an undertaking from LCCG to seek to maintain Reliance Life's capital ratio above 135% at all times, and to be above 150% immediately after a dividend payment.

As part of the business transfer agreement the employees of The Society transferred to Reliance Life Services Limited (Reliance Life Services). Reliance Life Holdings Limited (Reliance Life Holdings) is a parent company to both Reliance Life and Reliance Life Services. The transfer of staff was completed under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") on 1 April 2018. Reliance Life Services as the new "Employer" seconded the employees to Reliance Life.

As noted above on page 3 on 17 May 2018 The Society changed its name to RMIS (RTW) Limited, and at the time of signing these financial statements was a wholly owned subsidiary of Reliance Life. On 28 June 2018 the Society's application for the cancellation of its permissions under Part 4A of the Financial Services and Markets Act 2000 was granted by the Prudential Regulation Authority.

Staff

All of the Society's staff transferred to Reliance Life Services Limited, an associate company of Reliance Life, on 1st April 2018 with the same terms and conditions of employment.

The Directors recognise the importance of employee involvement. This was maintained by effective communications, circulars, briefings and meetings. In addition, staff have been kept informed of matters relevant to them through the Staff Consultative Committee and the Management Consultative Committee.

The Directors are committed to a policy which ensures that, in all aspects of recruitment, training and career development, equal opportunities are afforded to job applicants and employees irrespective of their age, race, religion, sex, marital status, sexual orientation or disability. If staff become disabled during their period of employment, the Society endeavours to retrain or redeploy them to enable their employment to continue.

Pensions

The Society operated a defined benefit scheme for employees for many years. This scheme is closed to future accruals. On 1 April 2018 Reliance Life and Reliance Life Services were admitted as employers of the scheme. On the same date the liabilities of the scheme were transferred to Reliance Life and The Society was discharged from any obligations and liabilities under the Scheme. The Society also offered a defined contribution scheme, which Reliance Life Services continues to offer to its staff from 1 April 2018 as the new employer.

Corporate Social Responsibility

The importance of having responsible policies for staff, customers and the community was recognised and the potential impact of key social responsibility issues is considered as a matter of course within the overall running of the organisation.

Examples of proportionate and cost effective work in this area includes a recycling policy and support for staff fund-raising events.

Going concern

Following assessment by the Board, the Directors have presented the financial statements on a going concern basis, supported by the assessment of the Society's member payment process. The member payment process is expected to be determined as completed over a period of more than one year.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and the Group and of the profit or loss of the Society and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business; and
- consider whether the annual report and financial statements taken as a whole provide the information necessary for members to assess the Society's performance, business model and strategy.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Society and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors confirm that their responsibilities have been fulfilled.

Statement of disclosure of information to auditors

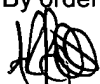
The Directors in office at the time this report is approved, confirm:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken in their duty as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of the information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed to the Board.

By order of the Board



Anthony Field

Company Secretary

16 July 2018

Strategic Report

Results

The results for the group for the year, as set out in more detail on pages 18 and 19, show a transfer to the Funds for Future Appropriation (FFA) of £22.8m (2016: £6.0m).

Key performance indicators

Total assets 2016	£1,878m
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Total assets 2017	£1,842m
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Decrease	(£36m)
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Increases in assets performance in the financial markets during the year was offset by the natural amortisation of the portfolio as the business is in run-off.

Fund for Future Appropriations 2016	£72.2m
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Fund for Future Appropriations 2017	£94.9m
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Increase	£22.8m
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The increase in the FFA was driven by improvement in the matching strategy for the annuity business, good investment returns augmented by improvements in mortality and longevity assumptions which were offset by increased funding costs (including pensions equalisations) for the defined benefit scheme.

Solvency ratio (SII) 2016	114%
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Solvency ratio (SII) 2017	135%
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The Society's solvency ratio at the end of 2016 at 114%, was below the Board's stated risk appetite of 120%.

The Society implemented Management Actions to improve the position and these, together with improvements in the financial markets improved coverage to 135%.

Operating expenses 2016	£13.1m
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Operating expenses 2017	£11.2m
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Reduction	(£1.9m)
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The decrease in operating expenses was driven by lower staff costs on both ongoing operations and one-off project costs in the year, lower overheads as well as lower commissions paid on new premiums due to the termination of the funeral plan business.

Actuarial valuation and bonus declaration

An investigation of the long-term liabilities at 31 December 2017 has been carried out. The Directors determined appropriate provisions for the long-term business liabilities which have been included in the financial statements. Rates of bonus for the main classes of policy declared by the Directors are set out on page 11.

Future Outlook

Following the business transfer to Reliance Life on 1 April 2018 The Society will undertake payments to members in respect of agreed compensation for giving up their voting and membership rights. An amount of £23m has been set aside to make these payments and it is expected that the payment process will take over one year to complete. An additional amount of £3m has also been set aside as capital to support the business during the payment process.

On 28 June 2018 the Society's application for the cancellation of its permissions under Part 4A of the Financial Services and Markets Act 2000 was granted by the Prudential Regulation Authority.

Principle Risks and Uncertainties

The principal risks and uncertainties during 2017 were in respect of completing the transfer to Reliance Life, the levels of future expenses, credit risk and longevity risk. Following the business transfer on 1 April 2018 all remaining risks were also transferred to Reliance Life.

With Profits Policyholders Report

Introduction

This is the report of the Directors of Reliance Life Limited to the with profits policyholders of the company on the management of the with profits business by the Board of Reliance Mutual Insurance Society during 2017.

Background

The company maintains a set of Principles and Practices of Financial Management (PPFM) that sets out the way in which with profits business will be managed. The PPFM is available directly from the company or from the web-site at:

<https://www.reliancelife.co.uk/about-us/with-profits/>.

As a result of the transfer of business of Reliance Mutual Insurance Society to Reliance Life on 1st April 2018, the company's business is divided across five sub-funds:

- The Non-Profit Sub Fund ("NPF"); and
- With Profits Sub-Funds No. 1, 2, 4 and 6 ("WPSF1, 2, 4 and 6").

Prior to the transfer the Non-Profit Sub-Fund was known as the Ordinary Sub-Fund ("OSF").

The Non-Profit Sub Fund (NPF) contains all the company's unit-linked and non-profit, non-linked business, including that originally written by other companies. In addition, NPF contains some with profits policies written on a unitised basis, where there are provisions to apply market value reduction factors. However, the investment risks in these policies are reinsured to WPSF6.

With profits Sub Fund 1 (WPSF1) comprises all the with profits business written by Reliance Mutual Insurance Society and with profits business, principally in the industrial branch, that was originally written by other companies, all of which were acquired prior to 1972.

With profits Sub Fund 2 (WPSF2) comprises the former Criterion Life Assurance with profits fund.

With profits Sub Fund 4 (WPSF4) comprises the former Time Assurance Retirement Annuity with profits fund.

With profits Sub Fund 6 (WPSF6) comprises the former Hearts of Oak Friendly Society with profits policies.

Each of the sub-funds is operated on a standalone basis with all the surplus distributed in each of the with profits sub-funds being allocated to the with profits policies in the sub-fund. All the with profits sub-funds are closed to new business and only accepting the exercise of options by existing policyholders.

Prior to the transfer of business, Reliance Mutual operated the with profits Sub-Funds in the same manner as described in the current PPFM, with the exception that WPSF1 was previously entitled to receive a proportion of the future surplus on the non-profit business transferred to OSF on the effective date of the 2012 Scheme of Arrangement or pay to OSF the same proportion of any deficit that arose on this business.

Business Risk

In October 2015, the Board decided to undertake a strategic review to consider the options for continuing the purpose of the Society. It was determined that the best interests of members were likely to be served by seeking a partner to stabilise the capital position and reduce the ongoing costs of the Society. This was pursued through 2016 and a sale and purchase agreement with LCCG was signed in February 2017 and completed in April 2018. This involved a vote by the members of the Society and approval of the Scheme of Transfer by Court.

WPSF1 policies previously benefited from a large share of the value of the non-profit business of the Society, but the share of the profits of this business was associated with a share of its risks. As a result of the transfer of business, an amount was transferred to WPSF1 to compensate for the loss of its share of future profits and risks on the non-profits business and future bonuses will only depend on the performance of this Sub-Fund.

All with-profit Sub-Funds are now stand alone funds and are no longer required to provide capital support to other Sub-Funds.

Opinion of the Directors of Reliance Life Limited

The Directors have reviewed the management of the with profits funds by the Board of Reliance Mutual Insurance Society. It is the Directors' opinion that throughout 2017 the funds were managed in accordance with the PPFM of Reliance Mutual Insurance Society.

It is the Directors' opinion that the exercise of discretion during 2017

- was appropriate
- took full account of policyholders' reasonable expectations and
- maintained fairness between different categories of policy and policyholder.

Roles and Responsibilities

The Board of Reliance Life Limited has established a sub-committee, the With Profits Committee (WPC), with the role of making recommendations to the Board to ensure that all with profits policyholders are treated fairly when financial management decisions are made. The Committee comprises four non-executive directors and the chief executive and meetings are held with the With Profits Actuary and the Chief Actuary in attendance. The Terms of Reference of the WPC are available directly from the company.

The With Profits Actuary (WPA), Geoff Ross, has a statutory duty to advise the Board when it exercises its discretion in the management of the with profits funds. The WPA must also make an independent report to the with profits policyholders. His report should state whether, in his opinion, this report and the discretion exercised during 2017 may be regarded as having taken the interests of the with profits policyholders into account in a reasonable and proportionate manner.

This report is provided by the Directors of Reliance Life Limited on behalf of the Board of Reliance Mutual Insurance Society following the transfer of all business of the Society to Reliance Life Limited on 1st April 2018.

Exercise of Discretion

Regular Bonuses

In March 2017, the Board of Reliance Mutual Insurance Society declared new reversionary bonus rates, for those policies where regular bonuses may be added, to take effect from 1st January 2017. Reversionary bonus rates were unchanged from the previous declaration in March 2016. The PPFM describes the considerations taken into account when deciding upon reversionary bonus rates.

With Profits Payouts

For some types of policies final payouts are enhanced by the payment of a final bonus. In March 2017 new final bonus scales, which took effect from 1st April 2017, for WPSF1, 2, 4 and 6 were declared based on the financial results at the end of 2016. Final bonus scales were also reviewed in September 2017, with changes taking effect from 1 October 2017.

- WPSF1 final bonus rates were reduced by 15% in April and by a further 15% in October 2017 due to the decline in the value of the business in OSF and the increased costs associated with running off the business. The fall in bonuses were limited to 15% at each review in order to smooth the impact.
- WPSF2 final bonus rates were reduced in April following increases in interest rates and then increased in October reflecting investment market gains. This resulted in rates reducing in April and increasing again by a similar amount in October.
- WPSF4 was favourably impacted and bonuses were increased in both April and October. Non-guaranteed bonuses for annuities in payment were left unchanged.
- Final bonus rates in WPSF6 were reduced slightly in April, followed by a smaller reduction in October. Final bonus rates on unitised with profits policies also reduced in April and were then broadly unchanged in October.

Investment Strategy

Section 3 of the PPFM lists the Principles and Practices that are followed by the company in deciding upon the investment strategy for the with profit Sub-Funds. During 2017, as a result of the Society's decision to outsource investment management in 2015, equity exposure in WPSF2, 4 and 6 continues to be achieved through investment in the Schroder Reliance Mutual Balanced Fund whilst WPSF1 achieves its exposure through investment in the Vanguard FTSE All-Share tracker fund.

A review of the investment strategy of WPSF1 will be undertaken following the transfer of business to Reliance Life.

Changes to the PPFM

There were no changes made to the Practices or Principles during 2017.

Report to with profits policyholders by the With Profits Actuary

Purpose

The Principles and Practices of Financial Management ('PPFM') for Reliance Mutual Insurance Society ('the Society') is a detailed document that sets out how the Society managed its with profits business. Following the transfer of the business of the Society to Reliance Life Limited, effective from 1 April 2018, the PPFM may be requested from Reliance Life Limited.

The Society had discretion in a number of areas during 2017, such as the amount of surplus assets that should be earmarked for paying bonuses, setting bonuses, policy payouts and surrender values, the terms agreed for the transfer of the business to Reliance Life Limited which were accepted by the membership, and in addressing any competing or conflicting rights between different classes of with profits policyholder.

The purpose of this report is to give my opinion, as required by the rules of the Financial Conduct Authority, as to whether the Society has taken the interests of the with profits policyholders into account in a reasonable and proportionate manner in exercising this discretion during 2017.

I confirm that this report takes account of the guidance requirements of the Actuarial Profession and the Financial Reporting Council.

Conclusion

In my opinion, the Society took the interests of its with profits policyholders into account in a reasonable and proportionate manner in exercising discretion during 2017.

My opinion is based on the information the Society provided to me regarding its activities in 2017. I confirm that I have had full access to and discussion of the available information.

Geoffrey Ross
Fellow of the Institute of Actuaries
With Profits Actuary
26 April 2018

Bonus Declaration

As at 31 December 2017

The Directors have declared annual bonuses for the main classes of business at the rates set out in the table below for the year ended 31 December 2017. Rates for other smaller classes of business may be obtained on application to the Society. Annual declarations of guaranteed reversionary bonuses for the business now forming WPSF6 had been discontinued by the predecessor companies before the businesses were acquired.

A final bonus may be paid on claims arising by death, maturity or vesting under most classes of with profits policies. Full details of the rates may be obtained on application to the Society.

Rates of interim bonus and final bonus are not guaranteed and may be altered at any time.

With Profits Sub Fund 1

All rates are expressed as percentages of the sum assured, with the exception of Reliance ordinary branch insurances where the rate is a percentage of the sum assured and attaching bonuses.

	Bonus Rate (%)
Reliance ordinary branch whole life insurances and endowment insurances	2.00
Reliance industrial branch with profits policies	1.75
Reliance industrial branch mortuary bonus policies without recurring endowments	1.50
Reliance industrial branch mortuary bonus policies with recurring endowments	1.40

With Profits Sub Fund 2

Life policies - For all premium paying policies, 55% of the sum of all premiums, other than those to cover special risks, paid since the last declaration of bonus in December 2016 are available as a cash benefit or may be converted to an annual bonus. For non-premium paying policies an equivalent premium is used.

Pension policies - For most premium paying group pension scheme policies, 55% of the sum of all premiums paid since December 2016 are converted to an annual bonus using a set mortality factor and interest rate. No bonus is paid on paid-up plans, although some contracts have a guaranteed increase in benefits each year.

With Profits Sub Fund 4

The bonus is expressed as a percentage of the annuity and attaching bonuses for deferred annuities and as a percentage of the basic annuity for annuities in payment.

	Bonus Rate (%)
Regular premium deferred annuities (series 1)	1.00
Single premium deferred annuities (series 1)	1.25
Deferred annuities (series 2)	1.00

Independent auditors' report to the members of RMIS (RTW) Limited (formerly Reliance Mutual Insurance Society Limited)

Report on the audit of the financial statements

Opinion

In our opinion, RMIS (RTW) Limited's Group financial statements and Society financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the Group and Society statements of financial position as at 31 December 2017;
- the Group consolidated profit and loss account;
- the Group consolidated statement of other comprehensive income; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

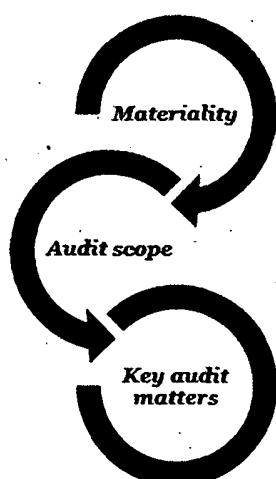
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society.

Other than those disclosed in note 11 to the financial statements, we have provided no non-audit services to the Group or the Society in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview



- Overall materiality: £4.9 million which represents 5.2% of Fund for Future Appropriations.
- We performed full scope procedures over RMIS (RTW) Limited for the purposes of the consolidated financial statements.
- We also performed audit procedures over Reliance Administration Services Limited, Reliance Unit Managers Limited, FS Management Limited and the consolidation process.

Our risk assessment analysis identified the following as areas of focus for the Group and the Society.

- Valuation of insurance liabilities in relation to:
 - Expense assumptions;
 - Credit default on corporate bond assumptions; and
 - Longevity assumption.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Society financial statements, including but not limited to, the Companies Act 2006, the Prudential Regulation Authority's regulations and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisors, enquiries of management, and review of internal audit reports in so far as they related to the financial statements.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Valuation of insurance liabilities

The valuation of the provisions for the settlement of future claims, involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities. We have included separate sections for the significant assumptions, Expenses, Credit Default on Corporate Bonds and Longevity below.

How our audit addressed the key audit matter

The work to address the valuation of the insurance contract liabilities included the following procedures:

- We tested on a sample basis the underlying data to source documentation.
- Using our actuarial specialist team members, we applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices.
- We used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the Society's industry peers.
- Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework.
- We assessed the disclosures in the financial statements.

Further testing was also conducted on the Expense, Credit Default and Longevity assumptions as set out below.

Based on the work performed and the evidence obtained, we consider the assumptions used to be appropriate.

As part of our consideration of the entire set of assumptions we focussed particularly on the following three given their significance to the Group's result and the level of judgement involved.

Expense assumptions

The Group is required to hold reserves to cover the cost of servicing policies whilst they remain on the books. Future maintenance expenses and expense inflation assumptions are used in this measurement and in addition, the methodology includes an allowance for diseconomies of scale as the business volumes decline. These all require significant judgement.

In addition to the procedures above, in respect of the expense assumptions:

- We understood and tested the governance process in place to determine the maintenance expense, expense inflation assumptions and allowance for diseconomies of scale.
- We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience.
- We tested and challenged the 2018 budget expenses by comparing the 2017 actuals against budget, assessing the split of expenses between ongoing and one off cost and those that are fixed or variable on a sample basis through to supporting evidence.
- We validated significant assumptions used by management, including margin of prudence and RPI, against past experience, market observable data and our experience of market practices.

Based on the work performed and the evidence obtained, we consider the assumptions for expense risk to be appropriate.

Credit default assumptions

Within the calculation of the statutory reserves, the valuation interest rate, derived from the yield on the assets held by the Society is used to discount the liabilities.

The determination of the allowance for credit default in the valuation interest rate is complex and subject to expert judgement, and there is a risk that changes in investment yields and market spreads are not appropriately reflected.

In addition to the procedures above, in respect of the credit default assumptions:

- We understood and tested the governance process in place to determine the credit default risk methodology and assumptions.
- We tested the methodology and credit risk pricing models used to derive the assumptions with reference to relevant rules and actuarial guidance, and by applying our industry knowledge and experience.
- We validated significant assumptions used by management by ensuring consistency with the assumptions used for the valuation of the assets, and against market observable data and our experience of market practices.

Based on the work performed and the evidence obtained, we consider the allowance for credit default risk to be appropriate.

Longevity assumptions

The liabilities for certain lines of business, in particular annuity business which is a significant proportion of the Society's business, are sensitive to the choice of assumptions regarding policyholder longevity. Longevity assumptions are based upon experience analysis and are highly subjective. There are two main components to the mortality assumptions:

- Mortality base assumption: this component is less subjective as it is derived using the external Continuous Mortality Investigation (CMI) tables, adjusted for internal experience. However, some

In addition to the procedures above, in respect of the annuitant mortality assumptions:

- We understood and tested the governance process in place to determine the annuitant mortality methodology and assumptions.
- We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included evaluating management's choice of the '00' series CMI base table and the adoption of the CMI 16 projection model for improvements.

- judgement is required in choosing the appropriate table, the level of adjustment to apply for emerging experience and the magnitude of prudential margin to apply.
- Rate of mortality improvements: this component is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. Management has adopted the most recent CMI 16 projection models in setting this assumption.
- We assessed the results of the experience investigations carried out by management for the annuity business to determine whether they provided support for the assumptions used by management, which remain unchanged from YE16 and tested the completeness and accuracy of the underlying policy holder data used in the experience investigation.
- We compared the mortality assumptions selected by the Society against those used by its peers.

Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

We determined that there were no key audit matters applicable to the Group to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Society, the accounting processes and controls, and the industry in which they operate.

The Society is a UK domiciled mutual insurance company. In determining the scope of the audit, we performed risk assessment procedures which included understanding each of the business operations, internal control environment and process for the preparation of financial information. As the statutory auditors of the Group, we applied our materiality benchmark across each component in the Group to identify which components were financially significant to the audit. We concluded that the Society is the only financially significant entity in the Group.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group financial statements	
Overall materiality	£4.9 million.
How we determined it	Based on our professional judgement, we determined materiality for the financial statements as a whole of £4.9m, which represents 5.2% of the Fund for Future Appropriations.
Rationale for benchmark applied	We consider the most appropriate materiality benchmark should be based on a capital metric rather than a profit metric as the policyholders' main interest is the sufficiency of surplus to cover their liabilities. We considered the key capital metrics, Available Own Funds and Surplus, and concluded that the most appropriate benchmark to use is 5% Own Funds, which equates to 5.2% of Funds for Future Appropriation.

The Society represents the only significant component of the Group, therefore there is the same materiality applied both for the Group and Society audit. Subsidiaries of the Society are financially inconsequential components that were audited to a local statutory audit materiality that is less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £245,000 (2016: £190,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Society'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Society's ability to continue as a going concern.

Reporting on other information

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

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

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Society and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities on page 4 on the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 9 September 2002 to audit the financial statements for the year ended 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement is 16 years, covering the years ended 31 December 2002 to 31 December 2017.



Lee Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 July 2018

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

Technical Account – Long Term Business

	Notes	2017 £000	2016 £000
Technical income			
Gross premiums written	6	13,240	15,657
Outward reinsurance premiums	6	(16,753)	(17,276)
Earned premiums, net of reinsurance		(3,513)	(1,619)
Investment income	7	66,439	64,280
Unrealised gains on investments	7	40,451	161,260
Other technical income, net of reinsurance	8	3,151	3,110
		<u>106,528</u>	<u>227,031</u>
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	9	(89,318)	(90,569)
- reinsurers' share	9	16,164	16,621
- net of reinsurance		<u>(73,154)</u>	<u>(73,948)</u>
Change in provision for claims			
- gross amount		(1,953)	1,297
- reinsurers' share		-	(244)
- net of reinsurance		<u>(1,953)</u>	<u>1,053</u>
Total claims incurred		<u>(75,107)</u>	<u>(72,895)</u>
Change in other technical provisions, net of reinsurance			
Long term business provision			
- gross amount	23	64,383	(60,634)
- reinsurers' share	23	(11,654)	2,725
- net of reinsurance		<u>52,729</u>	<u>(57,909)</u>
Technical provision for linked liabilities, gross and net of reinsurance	24	(42,794)	(69,207)
		<u>9,935</u>	<u>(127,116)</u>
Net operating expenses	11	(11,226)	(13,125)
Investment expenses and charges	7	(2,119)	(1,978)
Other technical charges, net of reinsurance	8	(163)	(178)
Tax credit/(charge) attributable to long term business	14	956	(5,296)
Profit for the year	15	28,804	6,443
Transfer (to) the Fund for Future Appropriations	15	<u>(28,804)</u>	<u>(6,443)</u>
Balance on the long term technical account		<u>-</u>	<u>-</u>

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017	Notes	2017 £000	2016 £000
Profit/(Loss) for the financial year	15	28,804	6,443
Other comprehensive (expense)/income:			
Revaluation of subsidiaries		(7)	(13)
Fair value movements of owner occupied land and buildings	16	250	100
Remeasurements of net defined benefit obligation	30	(6,301)	(581)
Total tax on components of other comprehensive income	14	7	36
Other comprehensive expense for the year, net of tax	15	(6,051)	(458)
Total comprehensive income for the year		22,753	5,985

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017		2016	
		Group £000	Society £000	Group £000	Society £000
Assets					
Intangible assets					
Goodwill	20	(39)	-	(78)	-
Fixed Assets					
Tangible assets	16	3,102	3,102	2,867	2,867
Investments					
Land and Buildings	17	700	700	1,395	1,395
Investment in group undertakings	18	-	267	-	273
Other financial investments	19	1,026,515	1,026,515	1,056,666	1,056,666
		<u>1,027,215</u>	<u>1,027,482</u>	<u>1,058,061</u>	<u>1,058,334</u>
Present value of acquired in force business	20	945	776	1,121	939
Assets held to cover linked liabilities	21	711,984	711,984	709,548	709,548
Reinsurers' share of technical provisions					
Long term business provision	22	32,766	32,766	44,420	44,420
Claims outstanding	23	-	-	-	-
		<u>32,766</u>	<u>32,766</u>	<u>44,420</u>	<u>44,420</u>
Debtors					
Debtors arising out of direct insurance operations		245	245	191	191
Debtors arising out of reinsurance operations		355	355	239	239
Amount owed by group undertakings		-	19	-	41
Other debtors		11,708	11,702	16,591	16,291
		<u>12,308</u>	<u>12,321</u>	<u>17,021</u>	<u>16,762</u>
Other assets					
Cash at bank and in hand		39,831	39,549	30,335	30,060
Prepayments and accrued income					
Accrued interest and rent		13,495	13,495	14,477	14,477
Deferred acquisition cost	26	77	77	100	100
Other prepayments and accrued income		253	253	268	268
		<u>13,825</u>	<u>13,825</u>	<u>14,845</u>	<u>14,845</u>
Total assets		<u>1,841,937</u>	<u>1,841,805</u>	<u>1,878,140</u>	<u>1,877,775</u>

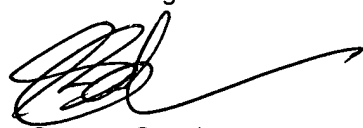
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017		2016	
Liabilities		Group £000	Society £000	Group £000	Society £000
Fund for future appropriations	15	94,918	94,789	72,165	72,056
Technical provisions					
Long term business provision	22	987,294	987,294	1,052,224	1,052,224
Claims outstanding	23	15,368	15,368	12,893	12,893
		<u>1,002,662</u>	<u>1,002,662</u>	<u>1,065,117</u>	<u>1,065,117</u>
Technical provisions for linked liabilities	24	712,059	712,059	709,665	709,665
Provisions for other risks and charges	28	1,943	1,943	2,006	2,006
Deposits received from reinsurers		6,999	6,999	7,877	7,877
Creditors					
Creditors arising out of direct insurance operations		81	81	65	65
Creditors arising out of reinsurance operations		265	265	312	312
Amounts owed to group undertakings		-	4	-	32
Other creditors including taxation and social security	29	14,706	14,699	17,295	17,007
		<u>15,052</u>	<u>15,049</u>	<u>17,672</u>	<u>17,416</u>
Accruals and deferred income		1,654	1,654	2,870	2,870
Total liabilities excluding pension scheme deficit		<u>1,835,287</u>	<u>1,835,155</u>	<u>1,877,372</u>	<u>1,877,007</u>
Defined benefit pension liability	30	<u>6,650</u>	<u>6,650</u>	<u>768</u>	<u>768</u>
Total liabilities including pension scheme deficit		<u>1,841,937</u>	<u>1,841,805</u>	<u>1,878,140</u>	<u>1,877,775</u>

The Society has taken advantage of the exemption under section 408 of the Companies Act 2006 not to include a parent company statement of comprehensive income. As at 31 December 2017 the Parent Company was a mutual and consequently the profit for the year is reported as £nil after a transfer to or a deduction from the Fund for Future Appropriation

The notes to pages 22 to 66 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 16 July 2018 and were signed on its behalf by


Seamus Creedon
Director


Ed Gardner
Director

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Society changed its name to RMIS (RTW) Limited (formerly Reliance Mutual Insurance Society Limited) on 17 May 2018. It is a private company limited by guarantee without share capital and is incorporated in England (No: 491580). The address of its registered office is Reliance House, 6 Vale Avenue, Tunbridge Wells, TN1 1RG.

The Society together with its subsidiaries, Reliance Unit Managers Limited, Reliance Administration Services Limited, FS Management Limited, RL Dormantco Limited and Reliance Pension Scheme Trustee Limited forms the consolidated "Group".

Following the Part VII Transfer on 1 April 2018 all subsidiaries were transferred subsequently to Reliance Life Holdings Limited.

2. Statement of Compliance

The consolidated and individual financial statements of RMIS have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) and the Companies Act 2006.

The Group financial statements have been prepared under the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance groups. In implementing these provisions the Group has adopted a modified statutory solvency basis for determining technical provisions.

3. Summary of significant accounting policies

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

(a) Basis of preparation

The preparation of financial statements in conformity with FRS102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and The Society'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 4.

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account.

(b) Going concern

As part of the business transfer to Reliance Life all the risks and uncertainties that could have a material impact on the Society and Group's future performance have been also transferred. The Society has adequate capital set aside to meet its obligations to member for compensation payments in respect of giving up of their voting and membership rights.

Having assessed the principal risks, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

(c) Exemption from preparing a cash flow Statement

In accordance with section 7 of FRS 102, as a mutual life assurance company, RMIS is exempt from the requirement to prepare a statement of cash flows.

(d) Basis of consolidation

The Group consolidated financial statements include the financial statements of The Society and all of its subsidiary undertakings up to 31 December.

(e) Classification of contracts

The Group classifies its products as insurance, investment or investment with discretionary participation features. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Contracts that do not transfer significant insurance risk are investment contracts. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. A contract that is classified as an insurance contract continues to be treated as such until all rights and obligations under the contract expire.

A discretionary participation feature (dpf) is a contractual right held by a policyholder to receive additional payments as a supplement to guaranteed benefits. Such contracts are commonly known as "With Profits" or "participating" contracts. With profits contracts may be classified as either insurance contracts or investment contracts with dpf. In both cases the requirements of FRS 102 do not apply. However, dpf contracts classified as investment are disclosed as such in the FRS 102 disclosure of financial instruments.

Some unit linked contracts, where significant insurance risk is not transferred, are classified as investment contracts. In addition to these unit linked contracts there are certain non-linked non-profit (non-participating) contracts that have also been classified as investment contracts. Investment contracts are accounted for using deposit accounting, under which amounts collected are credited and amounts paid are debited directly to the balance sheet as an adjustment to the liability to policyholders.

Insurance risk refers to fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the firm at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements.

Financial liabilities under with profits investment contracts are accounted for as insurance contracts in line with FRS 103.

(f) Premiums

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

(g) Fee income from investment contracts

Fees receivable from investment contracts (included in "other technical income") and investment income and interest payable on contract balances are recognised in the Profit and Loss Account in the year they are accrued, unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided.

(h) Claims

Claims paid relate to insurance and participating investment contracts. Death claims are recognised on the basis of notifications received. Maturities and annuity payments are recognised when due for payment. Surrenders are accounted for at the earlier of the date when paid or when the policy ceases to be included within the long term business provision or the technical provision for linked liabilities. Claims payable include the related internal and external claims handling costs. Full provision is made for the estimated cost of claims notified but not settled at the balance sheet date and for claims incurred but not reported.

(i) Reinsurance

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

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outwards reinsurance premiums' when due.

(j) Investment return

Investment income and expenses include dividends, interest, rents, gains and losses on the realisation of investments, interest payable on financial liabilities carried at amortised cost using the effective interest method and related expenses. Dividends are included as investment income on the date that shares become quoted ex-dividend and interest, rents and expenses are included on an accruals basis. Dividends are shown net of tax credits or overseas taxation where these are irrecoverable.

Realised gains and losses on investments carried at fair value are calculated as the difference between net sale proceeds and the purchase price. Movements in unrealised gains and losses on investments represent the difference between the value at the balance sheet date and original cost, or, if assets have previously been revalued, the value at the previous balance sheet date; together with the reversal of unrealised gains and losses previously recognised on asset disposals in the period. All gains and losses are reported in the technical account.

(k) Investments in group undertakings

Investments in group undertakings are accounted for at transaction price less impairment in the Society's individual financial statement and any changes in fair value are taken through other comprehensive income.

(l) Land and buildings

Land and buildings are valued at fair value based on the Royal Institute of Chartered Surveyors (RICS) valuation and certificate basis. Full valuations are made by independent professionally qualified valuers annually and during times of market volatility are reviewed at the balance sheet date. Unrealised gains and losses arising on the revaluation of properties are taken to the technical account.

Revaluation gains on owner occupied properties are taken to other comprehensive income except to the extent that those gains reverse a revaluation loss on the same property that was previously recognised as expense.

(m) Other financial investments

The Group has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments (as adopted for use in the EU) and the disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

The Group classifies its financial assets into the following categories:

- Shares and other variable yield securities and units in unit trusts – at fair value through profit and loss;
- Derivatives – at fair value through profit and loss;
- Debt securities and other fixed income securities - at fair value through profit and loss;
- Loans and receivables- at amortised cost;

Management determines the classification of its investments at initial recognition.

- i) Shares and other variable yield securities and units in unit trusts, debt securities and other fixed income securities.

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

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

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

- ii) Derivative Financial Instruments

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

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.

Embedded derivatives that are not closely related to their host contracts and meet the definition of a derivative are separated and fair valued through the profit and loss account.

- iii) Collateral

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

The collateral received is not legally segregated from the Group, and is recognised as an asset in the statement of financial position with a corresponding liability for repayment in financial liabilities (note 29).

- iv) Loans and Receivables

Loans and receivables are initially recognised at the fair value of the consideration paid including transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently they are measured at amortised cost using the effective interest rate method. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

(n) Tangible assets and depreciation

Tangible assets are capitalised and depreciated to their recoverable value over their useful economic lives on the following basis:

Computer Hardware and Software	on a straight line basis over 3 years
Office Equipment	on a straight line basis over 4 years

Full depreciation is charged in the year of acquisition and no depreciation in the year of disposal.

(o) Impairment of financial assets

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

(p) Long term business provision

The long-term business provision is determined on the basis of recognised actuarial methods and consistently with the PRA Rules (specifically those applying to the calculation of mathematical reserves contained in Chapter 1.2 of the Insurance Prudential Sourcebook) and the Association of British Insurers Statement of Recommended Practice on Accounting for Insurance Business (December 2005 revised December 2006). In determining the long-term business provision all relevant guidance from the Board of Actuarial Standards has been followed.

Full details of the methods, assumptions and sensitivities are given in note 22.

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

(q) Technical provisions for linked liabilities

Liabilities under unit-linked contracts are recognised as and when the units are created and are dependent on the value of the underlying financial assets, derivatives and/or investment property.

Unit-linked contracts which transfer significant insurance risk, including guaranteed benefits, are classified as insurance contracts and are carried in the balance sheet at an amount determined by the valuation of the related units on the valuation date.

Unit-linked contracts which principally involve the transfer of financial risk are classified as investment contracts and are carried in the balance sheet at amortised cost. The amortised cost of these financial liabilities is equivalent to the amount payable on demand without penalty.

(r) Deferred acquisition costs

Deferred acquisition costs for insurance contracts are assessed by taking account of the costs incurred in the sale of existing contracts and the potential for recovery of those costs out of margins available over the remaining life of the policies concerned. No acquisition costs are deferred in respect of single premium contracts. The rate of amortisation is consistent with the pattern of emergence of such margins.

(s) Fund for future appropriations

The fund for future appropriations represents all funds, the allocation of which to policyholders has not yet been determined by the end of the financial year. Any unappropriated surplus or deficit arising on the technical account is transferred to or from the fund on an annual basis.

(t) Taxation

Taxation expense for the period comprises current and deferred tax recognised on the reporting period.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total profits as stated in the financial statements. These timing differences arise from inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax liabilities are recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

(u) Operating leases

Payments made under operating leases are charged on a straight line basis over the term of the lease.

(v) Foreign currencies

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Income and expenditure denominated in foreign currencies are translated at the appropriate rates prevailing during the year.

(w) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution and defined benefit pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which service is received.

(ii) Defined contribution pension plans

Since 1 July 2010 the Society has operated a defined contribution scheme. A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the scheme are held separately from the Group and Society in independently administered funds.

(iii) Pension Costs

The Society operates a defined benefit pension scheme which is closed to future accrual. The defined benefit pension scheme is reported using the provisions of FRS 102. Included on the balance sheet is the aggregate assets of the pension scheme less the present value liabilities of the scheme, net of a provision for deferred tax.

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the Profit and Loss Account on a straight-line basis over the period in which the increase in benefits vest.

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

The standard requires certain items to be accounted for through the "Statement of Total Recognised Gains and Losses" which, neither the Group nor Society prepare due to their mutual status. Instead, these items are shown separately in the Profit and Loss Account.

(x) Goodwill

Goodwill, both positive and negative, arising on consolidation is capitalised in the balance sheet at cost and amortised through the Profit and Loss Account over its useful life. Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years.

(y) Present Value of Acquired In-force Business

On acquisition of a portfolio of long-term insurance contracts, directly or through the acquisition of a subsidiary undertaking, the net present value of the expected after-tax cash-flows of the in-force business is capitalised in the balance sheet as an asset. The asset is amortised and the discount unwound on a systematic basis in proportion to the surplus emerging from the related contracts over their expected future life, which the Directors have determined to be 20 years on average.

The carrying value of the asset is assessed annually using current assumptions in order to determine whether any impairment has arisen compared to the amortised acquired value based on assumptions made at the time of the acquisition. Any amortisation or impairment charge is recorded in the long-term business technical account in "other technical charges".

(z) Provisions and contingencies

(i) Provisions

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

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

In particular:

- i) Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

- ii) Provision is not made for future operating losses.

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

- (ii) Contingencies

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

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

4. Critical accounting judgements and estimates

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

- (a) Significant judgements in applying the accounting policies

- (i) Significant insurance risk

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

- (b) Sources of estimation uncertainty

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

- (i) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of liabilities under long-term contracts is dependent on estimates made by the Group. The carrying amount of the liability included as the long-term business provision is £987.3m (2016: £1,052.2m). Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted, where appropriate, to reflect the Group's own experience.

For contracts such as annuities that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

For contracts without fixed mortality risk charges, it is assumed that the Group will be able to vary mortality risk charges in future years in line with emerging mortality experience.

The mortality assumptions can be found in note 22.

ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The carrying value of these investments is £31.4m (Non-linked: £26.9m; unit-linked: £4.5m) (2016: £38.0m; Non-linked: £31.8m; unit-linked: £6.2m). The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. See note 5 for discussion of the related risks.

iii) Fair value of land and buildings

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The carrying value at the year-end is £3.8m (2016: £4.2m).

The investment property valuation contains a number of assumptions upon which independent, professionally qualified valuers have based their valuation of the Group's properties. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards 2012. However if any assumptions made by the property valuer prove to be inaccurate, this may mean that the Groups properties differ from their valuation, which could have a material effect on the Group's financial position.

iv) Estimated impairment of goodwill

In accordance with the accounting policy stated in Note 3(x), the Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 20). The carrying amount of goodwill is -£39k (2016: -£78k) and the present value of acquired business is £0.9m (2016: £1.1m). The assumptions on which goodwill impairment testing is based include, but are not limited to, discount rate, useful economic life and cash flow forecasts for future business generation. These assumptions have been subject to sensitivity analysis, however if any assumptions made prove to be inaccurate, this may mean that the value of goodwill is not supportable, which could have a material effect on the Group's financial position.

v) Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rates used on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 30 for disclosures relating to the defined benefit pension scheme. The carrying value of the net scheme liability is £6,517k (2016: £678k).

5. Management of financial risk

(a) Outline of Fund Structure

As the Society was a mutual company the financial risks were borne by the Society's members including with-profits policyholders. At the time of the signing of these financial statements the risks were transferred to Reliance Life Limited and the with profits policyholders.

The Society's business is divided into five sub funds, With Profits Sub Fund 1 (WPSF1), With Profits Sub Fund 2 (WPSF2), With Profits Sub Fund 4 (WPSF4), With Profits Sub Fund 6 (WPSF6) and the Ordinary Sub Fund (OSF).

Unit linked business is held in OSF. For unit linked contracts the Group matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no direct exposure to market or credit risk for other policyholders from these contracts. This is considered further below.

The financial risks discussed below therefore represent the risks impacting with profits policyholders in the Group, which would result in a risk to the fund for future appropriations (FFA).

(b) Financial Risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts (together referred to as "liabilities to policyholders") as they fall due. The most important components of this financial risk are market risk, credit risk and liquidity risk. In addition, further risks arise from the difference between estimated and actual membership growth and the cost of future insurance and investment contract liabilities, which are covered in more detail in note 22.

These financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group faces due to the nature of its financial assets and liabilities, are interest rate risk and equity price risk (as components of market risk) and credit risk. The Group's risk management policy seeks to manage the effects of financial risks. Investment guidelines have been established by the Risk Committee to control exposure to both market and credit risk in line with the Group's risk appetite.

The Society has delegated authority for investment decision making and management to external investment managers. Each investment manager operates subject to:

- constraints set out in contractual Investment Management Agreements, which were developed with reference to the requirements of the Solvency II Prudent Persons Principle; and
- the oversight of the Society's Asset and Liability Committee ('ALCO').
- the Society has a number of documents, e.g. guidelines, policies, agreements, reports, etc., which collectively support and reinforce compliance with the EIOPA guidelines in respect of the Prudent Person Principle. The key documents are as follows:
 - Investment Policy & Strategy;
 - Investment Management Agreements with external investment managers;
 - ALM reporting;
 - MA portfolio documentation;
 - conflicts of Interest Policy;
 - Investment Governance Framework; and
 - portfolio reporting produced by the Society's external investment managers

The performance of and risk associated with Society's investments are subject to regular reporting to the ALCO, Risk Committee and compliance/investment oversight reviews.

A principal technique used by the Risk Committee is to ensure that assets are matched to the liabilities arising from insurance contracts by reference to the type of benefits payable to policyholders. Within OSF, separate portfolios of assets are maintained for the Matching Adjustment portfolios, unit-linked funds, and other contracts. Each of the sub funds WPSF1, 2, 4 and 6 has its own separately identified assets which are managed to match the obligations of the insurance and investment contracts in those sub funds. This activity is supported by the Fair Member Benefits Committee, which monitors the results for fair and equitable treatment of members.

The Group uses interest rate swaptions to hedge interest rate and equity market risks associated with guaranteed annuity rate options on certain policies. The Group does not use hedge accounting. The suitability of the derivatives is reviewed at least annually by the Risk Committee. The maximum potential financial exposure is reduced by the holding of a collateral account. The collateral account and value of the options are received and reviewed daily.

Any significant changes to investment strategy are referred to the Board for its approval.

(c) Market Risk

Market risk arises from the possibility that the value or cash flows of the Group's assets and liabilities fluctuate as a result of the movements in market prices. The most important components of market risk are interest rate, currency, and equity price and property price risk.

These are discussed in more detail below.

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims costs are related to interest rates, liabilities to policyholders are exposed to interest rate risk. Likewise, insurance and non-profit investment contracts have benefit payments that are fixed and guaranteed at the inception of the contract.

Fixed interest securities are held which match the expected liability cash flows on non-profit annuities, which are the major portion of non-profit business, to a significant extent. As such the interest rate risk arising from non-profit business is relatively small. The matching of these assets to the liabilities is reviewed half yearly by the Risk Committee considering the cash flow profile of liabilities, assets and the Matching Adjustment portfolio requirements.

With profits business has a much broader matching of assets to liabilities than that adopted for non-profit annuities. The investment committee reviews the investments held annually and decides on changes that should be made to the portfolio. There is therefore some exposure to interest rate risk on this business although as the policies contain discretionary benefits, management actions, through bonus declaration mechanisms, could be taken to mitigate the risk.

Interest rate risk in relation to guaranteed annuity option reserves differs depending on the sub fund involved. The largest liabilities relate to business in OSF and WPSF6 which is protected to a certain level by a portfolio of interest rate swaptions. This level of protection is not perfect and some residual risk on guaranteed annuity reserves remains.

Guaranteed annuity option reserves in other with profits funds have no specific protection other than the level of prudence in the long term business provision. If this did not suffice, management actions, through bonus declarations, would be taken to protect the fund concerned.

(ii) Currency risk

The Group operates mainly in the UK and has no material overseas liability exposure. Where liabilities are in a currency other than sterling, the Group's policy is to ensure assets are held to cover the liability in this foreign currency.

Foreign currency risk is largely in relation to movements on individual instruments within the investment portfolio that are denominated or payable in currencies other than sterling. Investment guidelines allow non-sterling investments to be held only in WPSF1 and OSF and limit the amount that may be held.

(iii) Equity Price risk

The Group's non-linked exposure to equities primarily relates to holdings in the with profits sub funds. In addition, as a result of the Scheme of Arrangement, WPSF1 policyholders benefit from the excess of charges levied less expenses incurred in the unit linked business in OSF. As the charges are primarily expressed as a percentage of the value of the funds under management, changes in equity values influence this source of surplus.

(iv) Property Price risk

The Group is exposed to investment property value fluctuations in OSF and WPSF6. The aim of the group is not to hold property, other than owner occupied property, directly. Existing holdings will be sold as and when a suitable opportunity arises. The risk associated with the property holdings has been presented alongside the risk from equities in the previous section.

(d) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Group is exposed is in relation to its investment holdings in bonds and cash. Other areas of risk are reinsurance balances due, rent receivable, and amounts due from policyholders.

The investment guidelines for non-linked assets stipulate counterparty limits for equities, unit trusts or recognised schemes, and only one corporate counterparty. The maximum amount to be held in any particular corporate bond issue is also specified. The exposure to counterparties is reported to the Risk Committee every quarter.

Un-rated debt securities are considered on an individual basis by the Risk Committee. Relevant financial information is reviewed annually by the Risk Committee on a rolling programme.

The main reinsurance contracts relate to annuities in payment where the longevity risk is 75% reinsured. The reinsurance operates on a reverse risk premium basis where the Society pays expected annuity payments and the reinsurers pay actual annuity payments. Therefore the loss arising from a reinsurer defaulting is limited to the net balances due. This risk is reduced by using three different reinsurers for various parts of the portfolio. There is a further reinsurance contract with a fourth reinsurer for some other annuities in payment. In this latter case the reinsurer deposits an amount of collateral with the Society that limits credit risk.

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

	2017 £000	Restated 2016 £000
Non-linked assets subject to credit risk		
Sovereign Debt	126,947	138,333
AAA	5,910	5,970
AA	68,422	98,734
A	313,300	314,606
BBB and below or not rated	320,278	302,996
Total assets bearing credit risk	834,857	860,639
Derivative financial instruments	21,951	27,039
Debt securities	775,027	784,047
Loans & Receivables	713	817
Assets arising from reinsurance contracts held	33,011	44,659
Deposits with credit institutions	4,155	4,077
Total assets bearing credit risk	834,857	860,639

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

Sovereign debt relates to UK and overseas government issued debt or debt issued by supranational authorities such as the European Investment Bank. No financial assets are past due or impaired at the reporting date.

The credit default margins in the valuation basis used to determine policyholder liabilities as at 31 December 2017 (see note 22) are calculated as a proportion of observed market spreads. These proportions are unchanged from 31 December 2016.

An increase of 25% (2016: 25%) in credit default margins would decrease liabilities and increase the FFA by £11.7m (2016: £13.4m).

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

As there is no significant difference between the credit risk profile of the Society and the Group no separate table has been prepared for the Society's position.

(e) Liquidity risk

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

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

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

The table below provides a maturity analysis of the Group's financial liabilities. These are on an undiscounted cash flow basis and therefore do not equal the liabilities shown in the balance sheet. As noted above this excludes annuities as they cannot be surrendered or transferred at the policyholder's option.

	On demand	Others up to 1 year	Between 1 and 5 years	>5 years	Total
	£000	£000	£000	£000	£000
At 31 December 2017					
Financial liabilities under non-profit investment contracts	516,750	105	-	-	516,855
Creditors	11,500	3,837	1,218	6,835	23,390
Financial liabilities at amortised cost	528,250	3,942	1,218	6,835	540,245
Financial liabilities under with profits investment contracts included in long term business provision	7,310	-	-	-	7,310
	<u>535,560</u>	<u>3,942</u>	<u>1,218</u>	<u>6,835</u>	<u>547,555</u>

Financial liabilities under with profits investment contracts are accounted for as insurance contracts in line with FRS 103.

	On demand	Others up to 1 year	Between 1 and 5 years	>5 years	Total
	£000	£000	£000	£000	£000
At 31 December 2016					
Financial liabilities under non-profit investment contracts	513,336	146	-	-	513,482
Creditors	15,300	3,247	2,717	6,165	27,429
Financial liabilities at amortised cost	528,636	3,393	2,717	6,165	540,911
Financial liabilities under with profits investment contracts included in long term business provision	7,601	-	-	-	7,601
	<u>536,237</u>	<u>3,393</u>	<u>2,717</u>	<u>6,165</u>	<u>548,512</u>

As there is no significant difference between the maturity profile of the Society and the Group no separate table has been prepared for the Society's position.

(f) Fair value estimation

FRS 102 requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2017:

	Level 1	Level 2	Level 3	Total Balance
	£m	£m	£m	£m
Assets				
Financial assets at fair value through profit or loss				
- shares and other variable-yield securities and units in unit trusts	-	219.8	4.9	224.7
- debt securities and other fixed income securities	-	775.0	-	775.0
- derivative financial investments	-	-	22.0	22.0
	-	994.8	26.9	1,021.7
Financial assets held to cover linked liabilities	-	698.7	4.5	703.2
	-	1,693.5	31.4	1,724.9

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2016 (Restated):

	Level 1	Level 2	Level 3	Total Balance
	£m	£m	£m	£m
Assets				
Financial assets at fair value through profit or loss				
- shares and other variable-yield securities and units in unit trusts	-	235.9	4.8	240.7
- debt securities and other fixed income securities	-	784.0	-	784.0
- derivative financial investments	-	-	27.0	27.0
	-	1,019.9	31.8	1,051.7
Financial assets held to cover linked liabilities	-	692.9	6.2	699.1
	-	1,712.8	38.0	1,750.8

In addition to the £703.2m (2016: £699.1m) of financial assets held to cover linked liabilities a further £8.8m (2016: £10.5m) of non-financial assets and liabilities are also held to cover linked liabilities. These assets and liabilities do not fall within the scope of FRS 102 and are therefore not included in the hierarchy.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date, as described in note 3. These instruments are included in Level 1.

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the changes in Level 3 instruments (derivatives) for the year. :

	2017 £m	2016 £m
Opening balance	27.1	26.4
Gains and losses recognised in the profit and loss	0.5	15.9
Assets sold / matured in the year	<u>(5.7)</u>	<u>(15.2)</u>
Closing balance	<u>21.9</u>	<u>27.1</u>
 Total (losses)/gains for the year included in profit or loss	 <u>(0.5)</u>	 <u>17.6</u>

6. Segmental analysis

In the opinion of the Directors, the Group operates in a single business segment, being that of long term insurance business.

(a) Gross Premiums Written

All premiums relate solely to long-term insurance contracts.

	2017 £000	2016 £000
Gross premiums written comprise:		
Direct insurance	13,240	15,657
Gross direct premiums written in respect of insurance contracts and with profits investment contracts		
Periodic premiums	3,390	3,455
Single premiums	9,850	12,202
	13,240	15,657
Life insurance contracts	3,117	7,640
Pensions	10,068	7,956
Sickness and disability contracts	55	61
	13,240	15,657
Unit linked insurance contracts	2,114	2,407
Non linked contracts	11,126	13,250
	13,240	15,657
Geographical analysis		
United Kingdom	13,230	15,647
Finland	10	10
	13,240	15,657

In addition to the premiums disclosed above in relation to insurance contracts and investment contracts with dpf, the following premiums were received in relation to investment contracts. These are accounted for using deposit accounting as additions to investment contract liabilities in the balance sheet (see note 23) rather than as premiums in the long term technical account.

	2017 £000	2016 £000
Unit linked investment contracts		
Life	82	87
Pensions	2,092	2,300
	2,174	2,387

There were no premiums on non-linked investment contracts.

(b) Gross New Business Figures

No material amounts of business were reinsured other than on a risk premium basis.

No new inwards reinsurance was accepted.

New business premiums for insurance contracts include contractual pension vesting and investment contracts with dpf :

	2017 £000	2016 £000
Periodic premiums	-	16
Single premiums	9,850	12,202
	<u>9,850</u>	<u>12,218</u>
Life insurance contracts	-	4,501
Pension contracts	9,850	7,717
	<u>9,850</u>	<u>12,218</u>
Unit linked insurance contracts	-	1
Non linked contracts	9,850	12,217
	<u>9,850</u>	<u>12,218</u>
Geographical analysis		
United Kingdom	9,850	12,218
	<u>9,850</u>	<u>12,218</u>

In classifying new business premiums the following bases of recognition have been adopted:

- Recurrent single premium contracts, including DWP rebates on certain pension products are included as new business, single premiums;
- Pensions vested from existing policies into annuity contracts during the year are included as new annuity single premium business at the annuity purchase price;
- Where regular premiums are received other than annually, the reported regular new business premiums are on an annualised basis;
- Negative premiums represent refunds.

New business in relation to investment contracts comprise:

	2017 £000	2016 £000
Unit linked investment contracts		
Pensions – single premiums	-	-
	<u> </u>	<u> </u>

(c) Reinsurance Balance

The reinsurance balance amounted to a debit of £12.2m to the long term business technical account at 31 December 2017 (2016: credit of £2.0m).

(d) Net reinsurance premiums

	2017 £000	2016 £000
Reinsurance premiums	(16,753)	(17,276)
Reinsurance claims	16,164	16,621
	<u> </u>	<u> </u>
Net reinsurance premiums	(589)	(655)
	<u> </u>	<u> </u>

Net reinsurance premiums represent the difference between expected annuities (arising largely on the smoker and enhanced annuity products) and actual reinsured annuities paid.

7. Investment Return

	2017 £000	2016 £000
Investment income:		
Income from financial assets at fair value through profit or loss	34,887	40,036
	<hr/>	<hr/>
Income from land and buildings	237	145
Net return on pension scheme (note 30)	(16)	(10)
Net gains on the realisation of investments	31,331	24,109
	<hr/>	<hr/>
Total investment income	66,439	64,280
	<hr/>	<hr/>
Investment expenses and charges:		
Investment management expenses	(2,119)	(1,978)
	<hr/>	<hr/>
Total investment management expenses	(2,119)	(1,978)
	<hr/>	<hr/>
Net unrealised gains/(losses) on investments	40,451	161,260
	<hr/>	<hr/>
Total investment return	104,771	223,562
	<hr/>	<hr/>
Included in the total investment return are net gains or losses on financial assets at fair value through profit or loss:		
- Assets designated upon initial recognition	72,286	167,710
- Assets held for trading	(504)	17,659
	<hr/>	<hr/>
Total net realised and unrealised gains included in investment return	71,782	185,369
	<hr/>	<hr/>
Interest income for financial liabilities not at fair value through profit and loss comprises:		
- Interest income in respect of unit linked investment contracts	(44,885)	(64,393)
	<hr/>	<hr/>
- Interest in respect of financial liabilities at amortised cost	(44,885)	(64,393)
	<hr/>	<hr/>
- Interest expense in respect of with profits investment contracts	(974)	106
	<hr/>	<hr/>
Total interest (expense) for financial liabilities not at fair value through profit and loss	(45,859)	(64,287)
	<hr/>	<hr/>

Interest income relating to financial liabilities at amortised cost in respect of unit linked investment contracts is included in the Technical account – long-term business under the heading “change in other technical provisions”. See note 24.

The interest expense in respect of with profits contracts is calculated as the increase in the liability for those contracts not attributable to amounts received from, or paid to, policyholders and is included in the Technical account – long-term business under the heading “Change in other technical provisions”.

8. Other Technical Income and Charges

Other technical income includes fees for policy administration and asset management services arising from non-participating investment contracts and relates to financial liabilities carried at amortised cost.

Also included in other technical income and charges are the profits or losses after taxation of, Reliance Administration Services Limited, FS Management Limited and Reliance Unit Managers Limited, which do not carry on long-term business.

Other technical charges also include the amortisation charged in the year on the present value of acquired in-force business.

	2017 £000	2016 £000
a) <u>Other technical income</u>		
Fee income from investment contracts	3,151	3,097
Reliance Administration Services Limited	-	13
	<u>3,151</u>	<u>3,110</u>
b) <u>Other technical charges</u>		
Amortisation of present value of acquired in-force business	163	178
	<u>163</u>	<u>178</u>

9. Claims

	2017 £000	2016 £000
Claims paid	(89,318)	(90,569)
Less: Reinsurance	16,164	16,621
	<u>(73,154)</u>	<u>(73,948)</u>

The objective of the Society is to treat customers fairly and meet their reasonable expectations. Claims underwriting is used to ensure that any new or ongoing claims made by policyholders are valid.

The Society uses claims underwriting for the following reasons:

- to determine whether the policy and the claimant satisfy the eligibility criteria for a claim;
- to determine that the information provided is accurate, complete, and up-to-date; and
- to obtain any evidence necessary to approve or deny a claims application.

Products are divided into four broad categories:

1. Unit Linked Business – providing investment performance and life cover
2. Annuity Business – providing a guaranteed regular payment for the rest of your life
3. With-Profits Business – a mix of guaranteed benefits and investment performance
4. Other Non-Profits business – typically standalone life cover

Investment considerations are the primary driver for all but the last category. For the other Non-Profits business the life cover is the key risk but this risk is relatively stable and not material to the society as a whole.

Due to the size of the Annuity Portfolio there is a concentration of Insurance Risk in respect of the risk of people living longer than we have reserved for. The Society manages this exposure by entering contracts with reinsurance companies who assume a significant proportion of this risk of people living longer. Claims experience has been stable and within expectations.

10. Bonuses

The aggregate of the bonuses (other than annual bonuses) added to policies in the year was £6.8m (2016: £6.5m).

11. Net Operating Expenses

	2017 £000	2016 £000
Acquisition costs	45	682
Change in deferred acquisition costs	23	23
Administrative expenses	11,155	12,417
Reinsurance commissions	3	3
	<u>11,226</u>	<u>13,125</u>

2017 £000	2016 £000
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Included within the administration expenses are:

Audit services:

Fees payable to PricewaterhouseCoopers LLP for audit of

- the parent company's consolidated annual financial statements
- the company's subsidiaries

294	287
9	9

Non-audit services:

Other services

177	437
<u>480</u>	<u>733</u>

Fees payable to PricewaterhouseCoopers LLP in respect of
Reliance Pension Scheme:
Audit

8	8
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Fees shown are net of VAT but the cost to the company is gross.

In 2016 and 2015 the Society settled the audit fees for the whole Group, an allocation was then made to subsidiary companies.

Depreciation of tangible assets	<u>15</u>	<u>104</u>
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12. Employee Information

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

	2017 No.	2016 No.
Management	6	6
Administration	87	87
	<u>93</u>	<u>93</u>
Staff costs for the above totalled:	2017 £000	2016 £000
Wages and Salaries	4,006	4,107
Social Security costs	577	631
Other Pension costs		
- Defined Benefit (note 30)	243	354
- Defined Contribution	316	368
	<u>5,142</u>	<u>5,460</u>

13. Directors' Emoluments

	2017 £000	2016 £000
Total Directors' emoluments	1,167	1,067
Highest paid Director (included in above figures)	<u>451*</u>	<u>309</u>

The total accrued pension to the highest paid Director in respect of the Group's defined benefit pension scheme was £11,819 (2016: £11,819) as at 31 December 2017. The Group and Society's contributions in respect of the defined contribution scheme for the highest paid Director were £Nil during the year (2016: £12,442).

*In 2017 the highest paid director's remuneration is shown net of VAT but the cost to the company is Gross.

14. Taxation attributable to long term business

The (credit)/charge to tax in the profit and loss account is made up as follows:

	2017 £000	2016 £000
UK Corporation Tax at 19.25% (2016– 20%)	743	1,246
Adjustments in respect of prior periods	(2,400)	(741)
Total current tax	(1,657)	505
Deferred taxation:		
Movement in pension asset (see note 30)	(43)	(49)
Movement in deferred taxation in linked funds	572	3,269
Other deferred taxation origination and reversal of timing differences (see note 27)	172	1,571
Total deferred tax	701	4,791
Tax (credit)/charge on profit on ordinary activities	(956)	5,296
Tax (credit) included in other comprehensive (expense)/ income		
Deferred tax		
Origination and reversal of timing differences	(7)	(36)

UK corporation tax in the technical account has been calculated at rates at 19.25% (2016: 20%) in accordance with the rates applicable to the long-term business.

15. Fund for Future Appropriations

	2017		2016	
	Group £000	Society £000	Group £000	Society £000
At 1 January	72,165	72,056	66,180	66,101
Transfer from / (to) profit and loss account	28,804	28,784	6,443	6,413
Transfer (to) / from other comprehensive (expense)/income	(6,051)	(6,051)	(458)	(458)
At 31 December	94,918	94,789	72,165	72,056

16. Tangible Assets

Group and Society

	Land and buildings	Office equipment	Total
	£000	£000	£000
Cost or valuation:			
Brought forward	3,177	53	3,230
Additions	-	-	-
Fully depreciated items written off	-	(44)	(44)
At 31 December 2017	3,177	9	3,186
Accumulated depreciation:			
Brought forward	327	36	363
(Revaluation gain) / charge for the year	(250)	15	(235)
Fully depreciated items written off	-	(44)	(44)
At 31 December 2017	77	7	84
Book value at 31 December 2017	3,100	2	3,102
Book value at 31 December 2016	2,850	17	2,867

Land and buildings have detailed valuations carried out on a rolling programme throughout the year. However all valuations were reviewed as at 31 December 2017.

The properties were valued at open market value by chartered surveyors Aitchison Raffety. Valuations were prepared in accordance with RICS guidelines.

Land and buildings comprises owner occupied property with a value of £3.1m (2016: £2.8m).

17. Investments- Land and Buildings

Group and Society

	2017 £000	2016 £000
Freehold	700	1,395

The cost of land and buildings was £1.0m (2016: £2.0m).

Land and buildings have detailed valuations carried out on a rolling programme throughout the year. However all valuations were reviewed as at 31 December 2017.

The properties were valued at open market value by chartered surveyors Aitchison Raffety. Valuations were prepared in accordance with RICS guidelines.

18. Investment in Group Undertakings

At the balance sheet date the Society held 100% of the issued share capital (and voting rights) of the following companies.

	2017		2016	
	Current Value £000	Cost £000	Current Value £000	Cost £000
Reliance Unit Managers Ltd	91	50	94	50
Reliance Pension Scheme Trustee Ltd	-	-	-	-
RL Dormantco Ltd (formerly Reliance Life Ltd)	-	-	-	-
Reliance Administration Services Ltd	154	100	156	100
FS Management Ltd	22	50	23	50
	<u>267</u>	<u>200</u>	<u>273</u>	<u>200</u>

Group undertakings have been included at net asset value.

Details of group undertakings are:

	Company Registration Number	Principal Activity
Reliance Unit Managers Ltd	724451	Unit Trust management
Reliance Pension Scheme Trustee Ltd	1721946	Trustee
Reliance Administration Services Ltd	3710407	Administration
FS Management Ltd	2944179	Administration
RL Dormantco Ltd	10644049	Dormant

The registered office of the above companies is Reliance House, 6 Vale Avenue, Tunbridge Wells, Kent TN1 1RG, United Kingdom

The above companies are incorporated in England and Wales.

All of the above subsidiaries were transferred to Reliance Life Holdings Limited on 1 April 2018.

19. Other Financial Investments

(a) Group and Society

	2017 Market Value £000	Cost £000	2016 (Restated) Market Value £000	Cost £000
Financial assets at fair value through profit or loss				
Designated upon initial recognition	999,697	883,928	1,024,733	900,790
Derivative financial instruments – held for trading	21,951	2,212	27,039	2,764
	<u>1,021,648</u>	<u>886,140</u>	<u>1,051,772</u>	<u>903,554</u>
Loans and receivables at amortised cost	4,867	4,867	4,894	4,894
Total financial assets	<u>1,026,515</u>	<u>891,007</u>	<u>1,056,666</u>	<u>908,448</u>

Included in balance sheet as follows:

	2017 Market Value £000	Cost £000	2016 (Restated) Market Value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	224,670	203,606	240,686	218,815
Debt securities and other fixed income securities	775,027	680,322	784,047	681,900
Other loans	713	713	817	892
Deposits with credit institutions	4,154	4,154	4,077	4,077
Other - Derivative financial instruments	21,951	2,212	27,039	2,764
	<u>1,026,515</u>	<u>891,007</u>	<u>1,056,666</u>	<u>908,448</u>

(b) Investments

	2017 Group £000	Society £000	2016 Group £000	Society £000
Shares and other variable yield securities and units in unit trusts	224,670	224,670	240,686	240,686
Debt securities and other fixed income securities	775,027	775,027	784,047	784,047
	<u>999,697</u>	<u>999,697</u>	<u>1,024,733</u>	<u>1,024,733</u>

(c) Financial assets at amortised cost

For loans and receivables at amortised cost, the carrying value is a reasonable approximation of fair value.

At the reporting date, there were no assets held at amortised cost that were either impaired or overdue.

(d) Other loans

Included within loans receivables at amortised costs are loans secured on policies with a cost and carrying value of £0.7m (2016: £0.8m).

(e) Derivative financial instruments, at fair value through profit or loss, held for trading

Included within the Group and Society's financial investments are series of sterling receiver swap options and equity hybrid receiver swap options with a fair value of £21.9m (2016: £27.0m) that cost £2.1m (2016: £2.8m).

The contracts are not listed on a recognised exchange, but are valued at the amount at which the independent counterparty would be prepared to close out the options.

Each series is exercisable on a single fixed date up until 2040. The effect of exercising sterling options at the exercise date would be to convert a fixed nominal amount of cash into a fixed interest asset. In the case of the equity hybrid receiver swap options, the amount of cash convertible into a fixed interest asset varies proportionately with the FTSE 100 Total Return Index subject to certain minima and maxima at the date of exercise. The cash which would be used to fund the swaps is the expected future coupon and redemption receipts from part of the fixed interest portfolio.

Movements in fair value arise due to actual and perceived future movements in interest rates and the FTSE 100 Total Return Index and are reflected in the long term business technical account. Fair value loss in the year amounted to £4.4m (2016: gain of £2.0m).

- (f) Following a review of classifications in "Other financial investments" £4.6m previously reported in "loans and receivables at amortised cost" has been reclassified to "financial assets at fair value through profit and loss – designated upon initial recognition".

20. Goodwill and Present Value of Acquired in force Business

(a) Group

	2017		2016	
	Goodwill	Present Value of Acquired Business	Goodwill	Present Value of Acquired Business
<u>Cost</u>	£000	£000	£000	£000
At 1 January	(585)	5,370	(585)	5,370
At 31 December	(585)	5,370	(585)	5,370
<u>Accumulated amortisation</u>				
At 1 January	507	(4,249)	468	(4,057)
Amortisation during year	39	(176)	39	(192)
At 31 December	546	(4,425)	507	(4,249)
Net book value at 31 December	(39)	945	(78)	1,121
Net book value at 1 January	(78)	1,121	(117)	1,313

Negative goodwill arising on the acquisition of Criterion Life Assurance Limited is being amortised on a straight-line basis over fifteen years (2004 to 2018).

The present value of acquired in force business relates to the transfer of business from Family Assurance Friendly Society in 2004 and the acquisition of SEB Trygg Life (UK) Assurance Company Limited in 2006. The value is being amortised on a systematic basis, subject to an annual impairment test.

(b) Society

	2017		2016	
	Goodwill	Present value of Acquired Business	Goodwill	Present Value of Acquired Business
	£000	£000	£000	£000
<u>Cost</u>				
At 1 January	-	4,920	-	4,920
At 31 December	-	4,920	-	4,920
<u>Accumulated amortisation</u>				
At 1 January	-	(3,981)	-	(3,803)
Amortisation during year	-	(163)	-	(178)
At 31 December	-	(4,144)	-	(3,981)
Net book value at 31 December	-	776	-	939
Net book value at 1 January	-	939	-	1,117

The Society includes the present value of acquired in force business relating to the transfer from Family Assurance Friendly Society in 2004. The value is being amortised on a systematic basis, subject to an annual impairment test.

21. Assets held to cover linked liabilities

Group and Society Balance Sheet

	2017		2016	
	Market Value	Cost	Market Value	Cost
	£000	£000	£000	£000
Assets held to cover linked liabilities	711,984	584,647	709,548	630,235

22. Long Term Business Provision

The long term business provision is calculated in line with the accounting policy and is derived from the mathematical reserves that have been calculated using the same INSPRU rules and waivers as previously used for Solvency I reporting purposes. These are as follows:

	2017 Group and Society £000	2016 Group and Society £000
Gross amount		
Mathematical reserves, before bonus	995,207	1,061,584
Cost of bonus added at year end	275	330
FRS 103 adjustment – sterling reserves	(8,188)	(9,690)
Long term business provision	987,294	1,052,224
Reinsurance		
Mathematical reserves, before bonus	32,766	44,420
Long term reinsurance business provision	32,766	44,420
Net amounts		
Mathematical reserves, before bonus	962,441	1,017,164
Cost of bonus added at year end	275	330
FRS 103 adjustment – sterling reserves	(8,188)	(9,690)
Long term business provision	954,528	1,007,804

Bonus declared as a result of the valuation is included within the long term business provision.

Valuation Method

Investment contracts are valued at amortised cost.

For insurance contracts the long term business provision is calculated using the net premium method for with profits business. A gross premium method was used for the other main classes of business other than credit life assurance, which was valued by accumulating premiums received less commissions and claims paid.

The valuation method includes an explicit allowance for existing vested annual bonuses. It allows for future annual bonuses on with profits business implicitly, by use of the net premium method of valuation, which does not take credit for the full value of future premiums. No allowance is made for final bonuses; these bonuses are not guaranteed and the rates may be altered at any time.

The valuation method makes no allowance for voluntary discontinuance of contracts other than unit linked pension policies. Provisions released on discontinuance are no less than the termination values paid, so this is a prudent assumption. For unit linked pension business, voluntary discontinuance normally results in policies being retained in paid-up status. In this case future margins may be inadequate to cover future expenses, and the provision is set as the greater of the amount assuming immediate conversion to paid-up status and that assuming premiums continue throughout.

The interest assumption is based on fixed interest index yields for regular premium contracts, and on the yields on the backing assets for single premium contracts (principally annuities), and for deferred annuities in WPSF4 and WPSF6. Movements in interest rates thus affect the long term business provision, but there will also be a similar movement in asset values. Mortality assumptions are based on published statistics from the actuarial profession adjusted, where relevant, for expected future experience.

Valuation basis

The valuation used the following assumptions for the main classes of business:

Interest Rates

Product group:	Interest Rate 2017	Interest Rate 2016
Ordinary Sub Fund		
Guaranteed income and growth bonds	1.25%	1.64%
Whole life assurances associated with funeral plans	1.70%	1.83%
Other without profits life assurances	1.11%	1.45%
Life fund annuities in payment	1.46%	1.58%
Pension deferred annuities and assurances	1.44%	1.88%
Pension annuities in payment	1.82%	1.92%
With Profits Sub Fund 4		
Deferred annuities - series 1 regular premium and series 2	1.42%	1.56%
Deferred annuities - series 1 single premium	1.42%	1.56%
Annuities in payment and deferred annuities after vesting	1.42%	1.56%
With Profits Sub Fund 6		
Deferred annuities – with profits group 3	1.51%	1.62%
Deferred annuities – other with profits	1.44%	1.55%

Mortality tables

Product group:		Mortality table 2017	Mortality table 2016
Whole life assurances associated with funeral plans		80% ELT16	95% ELT16
All other ordinary branch assurances in all sub funds		AC00	AC00
All industrial branch assurances		60% ELT16	60% ELT16
Enhanced smoker annuities in payment		90% RGA base	90% RGA base
Smoker annuities in payment (see note)		160% PCA00	160% PCA00
Non-smoker annuities in payment (see note)	Male	120% PCMA00	120% PCMA00
	Female	90% PCFA00	90% PCFA00
Aggregate annuities in payment (OSF)	Male	120% PCMA00	120% PCMA00
	Female	95% PCFA00	95% PCFA00
Aggregate annuities in payment, and deferred annuities post-vesting (WPSF4) (see note)	Male	100% PCMA00	100% PCMA00
	Female	80% PCFA00	80% PCFA00
Deferred annuities pre-vesting (WPSF4)		95% A00	95% A00
Deferred annuities pre-vesting (WPSF6)		95% A00	95% A00

All mortality tables use the gender specific tables for males and females. For example A00 refers to AM00 for males and AF00 for females. PCMA00 refers to the graduation of amounts data for pensions combined published in CMI working papers 21 and 22, 2006 and CMI report 23, 2009, projected using the improvement factors shown in the table below.

Notes:

With the exception of the RGA base table, all mortality tables used can be constructed from information in the public domain. The RGA base table is prepared by the reinsurance company that reinsures the longevity risk under these contracts. The reinsurance terms used are commercially sensitive and the table has not been published.

Smoker annuities in payment: 160% of the mortality table was used for ages up to 70. The percentage then reduced linearly to 135% at age 85 and 120% at age 120.

Aggregate annuities in WPSF4 (males): 100% of the table was used for ages up to 60. The percentage then reduced linearly to 75% at ages 85 and above.

(Females): the percentage does not vary with age.

Industrial Branch conventional non-profit, whole life contracts are adjusted to allow for 'gone-aways'. These arise where the policyholder is no longer aware of the policy's existence (and may have already died) and where it is not practical for the Society to trace the policyholder (or next-of-kin). All Industrial Branch conventional whole life contracts where the policyholder is aged over 100 are excluded. Reduction factors are applied to the remaining non-profit contracts on a prudent basis.

Mortality improvements

Product group:	Mortality Improvements 2017		Mortality Improvements 2016	
	Male	Female	Male	Female
Enhanced smoker annuities in payment	100% RGA improvement	100% RGA improvement	100% RGA improvement	100% RGA improvement
Smoker annuities in payment	CMI 2016	CMI 2016	CMI 2014	CMI 2014
minimum	1.75%	1.50%	1.75%	1.50%
Non-smoker annuities in payment	CMI 2016	CMI 2016	CMI 2014	CMI 2014
minimum	1.75%	1.50%	1.75%	1.50%
Aggregate annuities in payment (OSF)	CMI 2016	CMI 2016	CMI 2014	CMI 2014
minimum	1.75%	1.50%	1.75%	1.50%
Aggregate annuities in payment, and deferred annuities post-vesting minimum (WPSF4)	CMI 2016	CMI 2016	CMI 2014	CMI 2014
	1.75%	1.50%	1.75%	1.50%
Aggregate annuities in payment (WPSF6)	CMI 2016	CMI 2016	CMI 2014	CMI 2014
minimum	1.75%	1.50%	1.75%	1.50%

For the CMI improvement tables, 100% of the published improvement table has been used.

Margin for credit default risk

Bond Rating:	2017 basis points	2016 basis points
Sovereign debt	Nil	Nil
AAA	22	23
AA	40	49
A	57	63
BBB	85	102
BB	164	208
B	n/a	n/a
CCC	n/a	n/a

The figures shown are the average deduction from the yield for loss of income from credit risk (in practice margins were deducted on a bond by bond basis).

The changes from the prior year are due to changes in the underlying level of market spreads and changes to the risk profile of the asset portfolio over 2017.

Expenses

Product Group:	Renewal Expenses – premium paying		Renewal Expenses – paid up		Claim Expenses	
	£	£	£	£	£	£
	2017	2016	2017	2016	2017	2016
Ordinary Sub Fund						
All industrial branch business	28.07	28.35	6.74	6.80	10.03	11.37
OB life assurances except as specified below	56.14	56.70	42.11	42.53	66.85	75.78
Single premium unit linked investment bonds	-	-	42.11	42.53	66.85	75.78
Whole life assurances associated with funeral plans	-	-	14.04	14.18	-	-
Linked and non-linked guaranteed income bonds (annual rollovers)	-	-	56.14	56.70	6.69	7.58
Linked and non-linked guaranteed income bonds (3- and 5- yearly rollovers)	-	-	56.14	56.70	26.74	30.31
Linked and non-linked guaranteed growth bonds (annual rollovers)	-	-	28.07	28.35	6.69	7.58
Linked and non-linked guaranteed growth bonds (3- and 5- yearly rollovers)	-	-	28.07	28.35	26.74	30.31
All annuities in payment	-	-	56.14	56.70	-	-
All pension deferred annuities and assurances	56.14	56.70	42.11	42.53	183.84	208.40
DSS	-	-	-	19.85	183.84	208.40
With Profits Sub Fund 4						
Annuities in payment	-	-	41.41	40.68	-	-
Deferred annuities	41.41	41.90	14.49	14.66	513.43	519.53
Assurances	41.41	41.90	14.49	14.66	248.43	251.38
With Profits Sub Fund 6						
All life assurances	36.09	36.52	12.63	12.78	89.31	90.37
Annuities in payment	-	-	36.09	36.52	-	-
All pension deferred annuities	36.09	36.52	12.63	12.78	245.60	248.51

The long term expense assumptions were agreed by the Directors for use in the year end statutory valuation in November 2017.

Options and Guarantees

Options and guarantees of the following types are included in the business written by the Society.

1. Guaranteed annuity rate options

These exist on various contracts in OSF, and WPSF6 where the policy proceeds at retirement (which are not guaranteed, either because they depend on future unit fund prices or because they include non-guaranteed bonuses) are used to purchase an annuity at a guaranteed rate. In most cases the guaranteed rate is beneficial for non-smokers, and in some cases it is also beneficial for smokers. The contracts in WPSF6 and most of the contracts in OSF are partly protected by a portfolio of investment derivative instruments designed to provide funds when the guarantees are onerous.

The reserve for guaranteed annuity options is calculated using a generally recognised closed-form stochastic formula which is similar to the standard Black-Scholes formula adapted to value guaranteed annuity options. An allowance is made for the take-up rate of the options as policyholders often choose to take part of their benefits as a tax free lump sum. The take up rate is initially set to be a prudent assessment of current experience. The take up rate is increased gradually for longer term options so that a take-up rate of 95% is assumed for retirement dates 20 years or more into the future.

2. Guaranteed cash options

These exist on various deferred annuity contracts in WPSF4. The option is only valuable if interest rates are in excess of 8% p.a. With improving mortality this threshold increases. All affected policies are with profits, and no specific provision is held for this option bearing in mind current interest rates. Any change in interest rates that would cause these options to be financially significant would reduce the financial significance of the guaranteed annuity rate options described above by a greater amount.

Sensitivities

The factors with the greatest influence on the long term business provision are the interest, credit default and expense assumptions and, for annuities in payment, the mortality assumption. Further details can be found in note 5.

A 20% increase in the interest rates would reduce the long term business provision by £39.2m (2016: £41.4m).

A reduction of 10% in the expense assumptions for contracts in OSF and WPSF1 would reduce the long term business provision by £8.1m (2016: £8.6m).

A decrease of 25% in the mortality base percentages used for annuities in payment would increase the group long-term business provision by £22.7m (2016: £23.5m).

An increase of 25% in credit default margins would increase the long term business provision by £11.7m (2016: £13.4m).

23. Technical Provisions

Group and Society

	Long Term Business Provision – Insurance & Investment with dpf contracts £000	Long Term Business Provision – Investment contracts £000	Total Long Term Business Provision £000	Claims Outstanding £000
Gross technical provisions				
Balance at 1 January 2017	1,042,206	10,018	1,052,224	12,893
Payments made to policyholders of, and fees deducted from, investment contracts	-	(547)	(547)	522
Movement for the year	(63,838)	(545)	(64,383)	1,953
Balance at 31 December 2017	978,368	8,926	987,294	15,368
Reinsurers' Share				
Balance at 1 January 2017	44,420	-	44,420	-
Movement for the year	(11,654)	-	(11,654)	-
Balance at 31 December 2017	32,766	-	32,766	-
Net technical provisions				
Balance at 31 December 2017	945,602	8,926	954,528	15,368
Balance at 31 December 2016	997,786	10,018	1,007,804	12,893

With profits investment contracts

Included within the long-term business provision are amounts of £7.3m (2016 £7.6m) relating to liabilities under with profits investment contracts, where there is no transfer of significant insurance risk. These investment contracts contain a discretionary participatory feature which entitles the holder to receive, as a supplement to the guaranteed benefits, additional benefits or bonuses through participation in the surplus arising from the assets held in the relevant investment with profits fund. These supplemental discretionary participatory returns are subject to the discretion of the Group. The Group has the discretion within the constraints of the terms and conditions of the instruments and UK regulation, to allocate the surplus to the contract holders.

24. Technical provisions for linked liabilities

Group and Society

	Unit linked investment contracts		Unit linked insurance contracts		Total	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
At 1 January	503,464	472,368	206,201	201,387	709,665	673,755
Deposits received from policyholders under investment contracts	2,173	2,387	-	-	2,173	2,387
Payments made to policyholders of, and fees deducted from, investment contracts	(42,593)	(35,684)	-	-	(42,593)	(35,684)
Change in technical provision as shown in the technical account	44,885	64,393	(2,071)	4,814	42,814	69,207
At 31 December	507,929	503,464	204,130	206,201	712,059	709,665

Financial liabilities in respect of unit linked investment contracts are carried in the balance sheet at amortised cost. The related fair value of these financial liabilities is £507.9m for both the Group and Society, (2016: £503.5m) which is equivalent to the amount payable under the contract, based on the current fund value.

25. Capital and Liabilities – Regulatory Capital Position

(a) Capital Management

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

The Society's approach to capital management is designed to be consistent with:

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

The approach to capital management is closely linked to the Society's risk appetite, since many of the most material risk exposures have the potential to lead to significant adverse capital impacts on its balance sheet.

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

The Society's solvency related risk appetite limits have been informed by analysis into target levels of capital cover that are appropriate for the Society over the short-medium term and which provide sufficient protection against adverse events with overlay constraining the management of the Society.

The approach currently taken involves the setting of two levels of appetite as follows:

- to have a buffer above 100% solvency coverage – this is referred to as the Level 1 risk appetite limit; and
- to operate a parallel buffer which factors in sensitivities around economic volatility factors –this is referred to as the Level 2 risk appetite.

Under Solvency II each separate ring-fenced fund must have sufficient resources to meet its own, separate, capital requirements. This is a change from the previous regime where there was no requirement that each sub-fund individually needs to have available capital resources to ensure that its capital resource requirements are met. The Society's Principles and Practices of Financial Management, indicate that surplus assets in any of the sub funds can only be used to enhance the benefits of appropriate policies within that sub fund. However should any sub fund have a shortfall of assets over guaranteed benefit liabilities, recourse is available to surplus assets within other sub funds.

For further information on the Society's approach to risk and capital management and on its Regulatory capital, see the "Solvency & Financial Condition Report (SFCR)", which is available on the Society website: <https://www.reliance.life.co.uk/news/sfcr-2017/>

The Society and Group have no shareholders' funds and also have no borrowings.

- As a mutual, the Group has only limited access to external sources of capital. Hence the Group's capital management objectives are:
- To match the profile of its assets and liabilities, taking into account the nature, term and currency of the liabilities.
- To achieve the maximum long-term return on assets not required to match liabilities, commensurate with an appropriate level of risk.

(b) Capital Statement

The table below shows the differences between the calculation of the Fund for Future Appropriations (FFA) and the Solvency II Own Funds.

	2017 £000	2016 £000
Fund for Future Appropriations	94,918	72,165
Accounting policy differences	72,241	66,599
Present value of future bonuses	(68,423)	(56,994)
Risk margin	(35,016)	(42,039)
Transitional deduction	45,705	49,124
Total Solvency II own funds	109,425	88,855

The capital resources of the Society have increased by £20.5m (2016: £16.7m).

The accounting policy differences are the difference between prudence in the reserves used to determine the Fund for Future Appropriations and the best estimate in the Solvency II capital as well as differences in treatment of certain guarantees and the approach taken to interest rates.

The realistic approach to capital takes account of future bonus expectations and so these reduce the capital available and increase the technical provisions.

The risk margin is an explicit addition to the technical provisions whilst the transitional deduction reduces technical provisions.

Analysis of policyholders' liabilities (Group and Society)

	2017 £000	2016 £000
With profits insurance contracts	173,081	188,688
With profits investment contracts	7,310	7,602
Non-profits insurance contracts	765,210	801,497
Non-profits investment contracts	8,744	10,017
	<u>954,345</u>	<u>1,007,804</u>
Unit linked insurance contract	204,130	206,201
Unit linked investment contracts	<u>507,929</u>	<u>503,464</u>
	<u>1,666,404</u>	<u>1,717,469</u>

Strong growth in equity markets increased unit liabilities for the unit linked investment contracts. The business overall is in run-off and the reductions in liabilities in other contract types reflects this.

(c) Change in Own Funds

	2017 £000	2016 £000
Available capital at 1 January	88,855*	55,976**
Change to Solvency II basis	n/a	27,512
Own funds at 1 January*	88,855*	83,488*
Expected change including release of Risk Margin/ unwinding of Transitional measures (2016: release of prudent margins)	56	18,525
Demographic assumption changes	4,022	9,224
Expenses and inflation	(2,638)	(10,378)
Non-guaranteed bonuses paid	(6,765)	(6,460)
Portfolio changes and market movements	26,386	(5,119)
Other movements	(491)	(425)
Total own funds	<u>109,425</u>	<u>88,855</u>
Restriction on own funds	(7,660)	-
Available own funds at 31 December	<u>101,765</u>	<u>88,855</u>

*Available capital is Solvency II capital

**Available capital is Solvency I capital

The change in own funds for 2016 is based on movements in Solvency I capital whilst the change in own funds for 2017 is based on movements in Solvency II capital.

The capital statements show an increase in the available capital resources of the Society, calculated in line with the accounting principles.

The expected change in the technical provisions is reduced under the Solvency II regime, reflecting the fact that the liabilities are calculated on a Best Estimate basis. It also allowed for one-off costs of £3.8m including costs related to Solvency II and the transfer of the business to LCCG.

The change in own funds for 2017 are a result of the following:

The demographic assumption changes mainly relate to the adoption of revised longevity improvements based on the 2016 CMI table that was released in 2017. The Society also recognised some adverse experience in mortality. The Society continues to monitor lapse and mortality behaviour as well as GAO take-up rates and in most cases the existing assumptions were still appropriate.

The expenses assumed in the Report and financial statements are a prudent assessment of the costs of running the Society based on the Board's best estimate of the budgeted expenses for 2018 increased by a prudent margin. In addition to this, a further diseconomy reserve is held to reflect the fact that fixed costs cannot be reduced in the same way as variable costs. This re-evaluation has resulted in a decrease of surplus of £2.6m.

Non-guaranteed bonuses are paid from the Profit & Loss Account but are not included in the long term business provision and therefore any payments made will reduce the available capital resources. The payments made over 2017 have reduced the surplus by £6.8m.

The Society continued to rebalance its investments during the year, improving the matching strategy for its annuity business and increasing the equity exposure in two of the With-Profit funds where the capital position had improved. Investment returns over the year were good, with strong growth in the corporate bond and equity holdings.

Other impacts include small movements from model changes, changes to mortality and longevity assumptions and changes to treatment of current assets.

Note that at 31st December 2017 there is a restriction applied to the Solvency II own funds, representing surplus assets in the With-Profits fund. Under the Solvency II presentation any surplus in a ring-fenced fund (such as a With-Profits fund) in excess of its own capital requirement is ignored for the purposes of determining the available capital resources of the Society.

26. Deferred Acquisition Costs

	2017		2016	
	Group £000	Society £000	Group £000	Society £000
On insurance contracts and with profits investment contracts	77	77	100	100

27. Deferred Taxation

	2017		2016	
	Group £000	Society £000	Group £000	Society £000
Deferred tax liability at 1 January	(1,746)	(1,746)	(175)	(175)
Movement in deferred tax liability	<u>(172)</u>	<u>(172)</u>	<u>(1,571)</u>	<u>(1,571)</u>
Deferred tax liability at 31 December	<u>(1,918)</u>	<u>(1,918)</u>	<u>(1,746)</u>	<u>(1,746)</u>

Net deferred tax assets are included within "Other debtors".

Net deferred tax provisions are included within "Provisions for other risks and charges".

	2017		2016	
	Group £'000	Society £'000	Group £'000	Society £'000
Deferred tax provisions on:				
Unrealised gains	(1,906)	(1,906)	(1,731)	(1,731)
Deferred acquisition costs	<u>(12)</u>	<u>(12)</u>	<u>(15)</u>	<u>(15)</u>
Undiscounted deferred tax liabilities	<u>(1,918)</u>	<u>(1,918)</u>	<u>(1,746)</u>	<u>(1,746)</u>
Deferred tax asset on pension liability (note 30)	<u>133</u>	<u>133</u>	<u>90</u>	<u>90</u>
Liability at end of year including deferred tax on pension asset	<u>(1,785)</u>	<u>(1,785)</u>	<u>(1,656)</u>	<u>(1,656)</u>

At 31 December 2017 deferred tax assets on the pension scheme deficit was £133k (2016: £90k).

Deferred tax is provided on certain unrealised gains / (losses) and deemed disposals within the linked funds. This deferred tax asset is reflected in assets held to cover linked liabilities. The deferred tax balance at 31 December 2017 is £12.4m - asset (2016: £7.7m - asset).

28. Provisions for Other Risks and Charges

Group and Society

	2017 £000	2016 £000
Provision at 1 January	2,006	176
Amount (credited) / debited to profit and loss account	<u>(63)</u>	<u>1,830</u>
Provision at 31 December	<u>1,943</u>	<u>2,006</u>

29. Other Creditors including taxation and social security

	2017		2016	
	Group £000	Society £000	Group £000	Society £000
Taxation and Social Security	1,670	1,670	1,321	1,321
Collateral held	11,500	11,500	15,300	15,300
Other creditors	1,536	1,529	674	386
	<u>14,706</u>	<u>14,699</u>	<u>17,295</u>	<u>17,007</u>

30. Pension Costs

Until 30 June 2010, the Society's employees (where eligible) were members of Reliance Pension Scheme which provided defined benefits to members based on their service with the Society and level of remuneration.

As of 30 June 2010, this defined benefit scheme was closed to future accrual for all but two members and all remaining active members became deferred members.

The Society's employees were then offered the chance to participate in a defined contribution scheme to which the Society would also contribute.

Defined Contribution Scheme

The contribution to the defined contribution scheme, in the year amounted to £0.3m (2016: £0.4m restated).

Defined Benefit Scheme

During the year ended 31 December 2017 the Society made contributions (including deficit funding) of £0.4m (2016: £0.2m). The scheme is now closed to future accrual.

The last full valuation of the scheme was carried out as at 1 April 2016 and this was updated to 31 December 2016 by qualified independent actuaries. Following a re-assessment of the funding position as at 31 December 2017 to allow for additional benefits that potentially need to be provided by the scheme but which were not recognised in the actuarial valuation at 1 April 2016 the Trustee of the scheme and The Society (as employer) agreed that a revised payment total of £253k per quarter to cover the deficit will be payable commencing in April 2017 and ending in Q3 2026.

As part of the business transfer agreement all assets and liabilities (including the scheme deficit) of the Society were transferred to Reliance Life.

The principal assumptions used in the updated valuation were as follows:

At 31 December	2017	2016
	%	%
Discount rate	2.4	3.0
RPI inflation rate	3.4	3.6
CPI inflation rate	2.6	2.8
Increases to pensions in deferment:		
-Pre 6 April 2009 – (CPI/5%)	*	*
-Post 6 April 2009 – (CPI/2.5%)	*	*
Pension increases for pensions accrued:		
-Pre 88 GMP- (nil)	*	*
-Post 88 GMP – (CPI/5%)	*	*
-Pre 6 April 1997 – (RPI/3%)	*	*
-Post 5 April 1997 – (RPI/5%)	*	*
Commutation	No allowance	No allowance

*Consistent with inflation curves and relevant floors and caps

Pre and post-retirement mortality:

-base table	2017	2016
-mortality projections	S2PXA	S1PXA
	CMI 2015	CMI 2013
-long term rate of improvement	1.5%[M], 1.25% [F]	1.5%[M], 1.125% [F]
	2017	2016
	years	years
Life expectancies from age 65:		
-Male currently aged 65	22.5	22.4
-Female currently aged 65	24.3	24.2
-Male currently aged 45	24.7	24.6
-Female currently aged 45	26.2	26.1

Reconciliation of funded status to balance sheet:

	2017 £000	2016 £000
Defined benefit obligation	(37,387)	(30,304)
Fair value of plan assets	30,737	29,536
Net defined benefit (liability)	(6,650)	(768)
Net defined benefit (liability)/asset after allowance for surplus restriction	(6,650)	(768)

Assets:

	2017 £000	2017 % weight	2016 £000	2016 % weight
Diversified growth funds	12,079	39.3	11,185	37.9
Liability matching funds	18,294	59.5	17,911	60.6
Cash / other	364	1.2	440	1.5
Total	30,737	100.0	29,536	100.0

Analysis of profit and loss charge:

	2017 £000	2016 £000
Net Interest expense on net defined benefit liability	16	10
Pension scheme expenses (excluding investment related expenses)	236	183
Total pension expense recognised in profit and loss	252	193

Reconciliation of defined benefit obligation over the year:

	2017 £000	2016 £000
Defined benefit obligation at start of the year	(30,304)	(25,869)
Interest expense on defined benefit obligation	(886)	(978)
Remeasurement- effect of experience gain	280	137
Remeasurement- effect of changes in financial assumptions (loss)	(3,501)	(6,437)
Remeasurement-effect of demographic assumptions gain	-	1,243
Remeasurement-effect of changes in benefits (loss)	(3,900)	-
Benefits paid	924	1,600
Defined benefit obligation at the end of the year	<u>(37,387)</u>	<u>(30,304)</u>

Reconciliation of fair value of plan assets over the year:

	2017 £000	2016 £000
Fair value of plan assets at the start of the year	29,536	25,524
Interest income on plan assets	870	968
Remeasurement – return on plan assets excluding interest income gain	820	4,476
Contributions by the Company	671	351
Benefits paid	(924)	(1,600)
Pension scheme expenses (excluding investment related expenses)	<u>(236)</u>	<u>(183)</u>
Fair value of plan assets at the end of the year	<u>30,737</u>	<u>29,536</u>
Return on plan assets	<u>1,690</u>	<u>5,444</u>

Remeasurements recognised in the Profit and loss account:

	2017 £000	2016 £000
Remeasurement – effect of experience adjustments gain	280	137
Remeasurement – effect of changes in assumptions (loss)	(3,501)	(5,194)
Remeasurement – effects of changes in benefits (loss)	(3,900)	-
Remeasurement – return on plan assets excluding interest income gain	820	4,476
Total remeasurement (loss)/gain recognised in the profit and loss account	<u>(6,301)</u>	<u>(581)</u>

Reconciliation of funded position:

	2017 £000	2016 £000
Net defined benefit liability at start of the year	(768)	(345)
Expense recognised in the profit and loss	(252)	(193)
(Loss) recognised in other comprehensive income	(6,301)	(581)
Contributions by the Company	671	351
Net defined benefit liability at end of the year	(6,650)	(768)
Related deferred tax	133	90
	(6,517)	(678)

31. Contingent Liabilities

There are no contingent liabilities. (2016: £nil).

32. Operating Lease Commitments

The Society had the following future minimum lease payments under non-cancellable operating leases for the following periods:

	2017 £000	2016 £000
Later than one year and not later than five years	25	25

33. Transactions with Related Parties

The Society has taken advantage of the exemption within FRS 102 – Section 33.1c not to disclose transactions and year end balances with its wholly owned subsidiaries.

No Directors or senior managers were in receipt of loans from the company at any time during the year.

All Directors, except one Non-Executive Director, one Executive Director and some senior managers are Members of the Society and as such are policyholders on the same terms as available to members of staff.

34. Post Balance Sheet Events

On 14 December 2017 the members approved the transfer of the Society's business to Reliance Life Limited.

The effective date of the business transfer was 1 April 2018 when £1,671m of assets and all the liabilities of the Society were transferred to Reliance Life Limited. RMIS (RTW) retained cash in respect of the proceeds to be paid to members and for solvency capital.

This retained cash is an initial estimate of £26m; with £23m set aside for member payments and £3m for Solvency Capital requirements.

On 17 May 2018 The Society changed its name to RMIS (RTW) Limited, and at the time of signing these financial statements The Society was a wholly owned subsidiary of Reliance Life. On 28 June 2018 the Society's application for the cancellation of its permissions under Part 4A of the Financial Services and Markets Act 2000 was granted by the Prudential Regulation Authority.