ReAssure Group Limited
Annual report and financial statements 2017

Company Registration Number 02970583

Contents

Directors and officers

Board of Directors

Matthew Cuhls		
Brian Dunne		(appointed on 17 March 2017)
James Gallagher		(appointed on 17 March 2017)
Richard Hudson		(resigned 31 December 2017)
Denise Larnder		(appointed on 01 January 2018)
Philip Long		(appointed on 17 March 2017)
Ian Patrick		
Michael Yardley	Chairman	(appointed on 01 October 2017)

Company Secretary
Paul Shakespeare

Registered office
Windsor House
Telford Centre
Telford
Shropshire
TF3 4NB

Company registration number
02970583

Strategic report for the year ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

These financial statements, for the year ended 31 December 2017, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Business review and principal activities

The principal activity of the Company is to provide strategic direction for the ReAssure group. It acts as the parent undertaking of ReAssure Limited which conducts ordinary long-term insurance business in the United Kingdom, namely life assurance, pensions, permanent health and annuities. It also acts as the parent undertaking of ReAssure UK Services Limited which is a supplier of management services. The company aims to deliver growth through selective acquisitions. The Company is part of the Swiss Re group, a worldwide reinsurance and financial services provider.

As part of the wider business strategy to secure capital to fund new acquisitions, in October 2017 it was announced that MS&AD, a conglomerate insurer based in Japan, had agreed to acquire an initial 5% stake in ReAssure Jersey One Limited ("RJOL"), an intermediate holding company of the company. This agreement to purchase 5% was part of a commitment to invest up to £800m in RJOL. Regulatory approval for the deal was received in January 2018, and on 23 January 2018 MS&AD completed the acquisition of the initial 5% for £175m and on the same date a further 8.2% of RJOL for £330m, as funding for the Legal & General deal. On 28 February 2018, MS&AD acquired a further 1.8% for £82m, bringing their total stake to 15% and their total investment to £587m.

On 21 December 2017, SwissRe ReAssure Midco Limited, another intermediate holding company, injected £650m into the company. This injection of capital enabled the ReAssure Group to pursue its principal acquisition activities, and in December 2017 ReAssure agreed to purchase approximately 1.1 million policies from Legal & General for £650m. The policies contain a mix of with-profits, unit-linked and savings products and comprise approximately £33 billion of funds under management. The transaction has further enhanced the ReAssure Group's position as a leading closed life book consolidator in the UK, with over 3 million owned policies in force. The reinsurance deal effecting the transaction was completed in January 2018, with a Part VII transfer expected during 2019, subject to regulatory approval.

The results for the year are set out on page 10. The profit for the year is £1,026.6m (2016: £696.2m). Net assets of the company at 31 December 2017 are £4,267.6m (2016: £3,454.8m).

Key performance indicators

Financial key performance indicators ("KPIs") are disclosed in the Business review and principal activities section above. The following non-financial KPIs are some of the other measures used to monitor and manage operational risk. Policy counts are in respect of ReAssure Limited.

	2017	2016
Solvency ratio - ReAssure Limited (non-profit fund)	162%	161%
Policy count - own policies	2,241,949	2,370,093
Policy count - third-party administered	1,044,460	1,155,555
Administration complaints per 1,000 policies	0.13	0.14

Solvency ratio - ReAssure Limited (non-profit fund)

The Company acts as an investment holding company and has a substantial investment in one life assurance company, ReAssure Limited. The solvency ratio of that company (representing the amount of capital held above the regulatory minimum capital requirement) is a key measure of the financial health of this investment. Pressure on solvency within the Company may act as an indicator either that capital support might be required from the company or that the value of its investment could be impaired. The directors are satisfied that at the year end ReAssure Limited held sufficient solvency margin to meet regulatory obligations and operational requirements.

Administration complaints per 1000 policies
The Group monitors complaint numbers to ensure that policyholders are receiving a high standard of policy administration and so that issues arising can be investigated, and if appropriate, processes and procedures changed to ensure that complaints do not occur again. For ReAssure owned policies, the number of administration complaints received per 1000 policies was 0.13 for 2017 (2016: 0.14).

Principal risks and uncertainties

The following have been defined as key business risks:

Financial risk is the risk the company faces as a result of:

- any loan structures in place within the group;
- the need to provide capital to its subsidiaries; and
- other group loan commitments.

The Company mitigates financial risk through a quarterly capital planning cycle. Its subsidiaries, ReAssure Limited and ReAssure UK Services Limited, also participate in this planning cycle, hence any capital requirements are factored into the company's capital plan. There is also regular communication with its parent, Swiss Re Life Capital Limited, with regard to loan repayments and capital requirements.

Liquidity risk is the risk that cash may not be available to pay obligations. The company monitors cash flow and performs variance analysis against actual cash held. The company manages its liquidity risk by only paying out dividends and making capital repayments once income from its investments has been received and once all expenses have been covered. If there are timing differences between cash inflows and cash outflows then surplus cash is placed only with approved counter-parties or invested in high quality government or corporate bonds.

The Company is not exposed to currency or equity price risk other than through its investment in subsidiaries.

Additionally as the Company participates in a defined benefit pension scheme, there is a risk that the cash contributions required to fund this scheme increase or decrease due to changes in factors such as investment performance, the rates used to discount liabilities and mortality changes. Any increase in deficit contributions will reduce the company's cash flow. Decisions on pension scheme funding, asset allocation and benefit promises are taken by management in consultation with the pension scheme trustees and suitably qualified advisors. The board participates in major decisions on the funding and design of the pension schemes.

Expense risk is the risk that expenses may not be well controlled and unplanned increases in expenses may threaten the solvency of the company. The company mitigates this risk by having a robust budget and planning cycle as well as monthly variance reports and analysis. These reports are reviewed by relevant executives and cost centre managers and remedial action taken if required.

Approval

This report was approved by the Board of Directors on 11 June 2018 and signed by order of the board:

Paul Shakespeare
Company Secretary
11 June 2018

Directors' report for the year ended 31 December 2017

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2017.

Future outlook

The company continues to look for opportunities to acquire further blocks of long-term insurance business. This is consistent with the desire of its ultimate parent company, Swiss Re Limited, to offer life and pension administration solutions to direct insurance writers.

Financial risk management

Principal risks and uncertainties affecting the company, including financial risks are explained in the strategic report.

Dividends

Dividends of £891m (2016: £346.0m) were paid during the year. The directors have not yet proposed a final ordinary dividend for the year ended 31 December 2017 (2016: £891.0m).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are shown on page 2.

Qualifying third party indemnity provisions

The company's directors are covered by the Swiss Re Limited indemnity provision policy, which was in force during the financial year and at the date of signing the financial statements. This indemnifies directors in respect of payments, as well as any costs associated with legal proceedings brought by third parties. Any director who serves or served for the company is covered to the fullest extent permitted by law and stated in the certificate of incorporation, articles of association, by-laws and other similar constituent documents of the company. Swiss Re Limited unconditionally guarantees payment of such sums by the company.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' responsibilities statement (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Independent Auditors

In the case of each director in office at the date the Directors' Report is approved:

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

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

By order of the Board of Directors

Paul Shakespeare
Company Secretary
11 June 2018

Independent auditors' report to the members of ReAssure Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, ReAssure Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Balance sheet as at 31 December 2017; the Income statement, the Statement of comprehensive income, the Statement of cash flows and the Statement of changes in equity for the year 31 December 2017; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue..

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company'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.

Reporting on other information (continued)

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

With respect to the Strategic report and Directors' report, 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 Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

Independent auditors' report to the members of ReAssure Group Limited (continued)

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Philip Watson

Philip Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 June 2018

Income statement

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Administrative expenses		(28.1)	(40.4)
Operating loss		**(28.1)**	**(40.4)**
Net investment income	4	1,057.0	730.4
Profit on ordinary activities before interest and taxation		**1,028.9**	**690.0**
Interest income	5	0.8	0.6
Other finance income and expense	6	(1.1)	1.2
Profit on ordinary activities before taxation		**1,028.6**	**691.8**
Tax (charge) /credit on profit on ordinary activities	8	(2.0)	4.4
Profit for the financial year		**1,026.6**	**696.2**

All results derive from continuing operations.

Statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Profit for the financial year		**1,026.6**	**696.2**
Other comprehensive income / (expense):			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain / (loss) on defined benefit pension schemes	7	32.7	(78.1)
Movement in related deferred tax	9	(5.5)	13.2
Total comprehensive income for the year		**1,053.8**	**631.3**

Balance sheet

As at 31 December 2017

	Note	2017 £m	2016 £m
Non-current assets			
Investment in group undertakings	11	4,100.1	3,397.0
Debt securities	14	13.6	13.9
Deferred tax	9	7.8	13.3
		4,121.5	**3,424.2**
Current assets			
Other receivables	12	7.1	12.2
Cash and cash equivalents	13	178.7	141.2
		185.8	**153.4**
Total assets		**4,307.3**	**3,577.6**
Non-current liabilities			
Pension scheme liability	7	(10.4)	(43.0)
		(10.4)	**(43.0)**
Current liabilities			
Other payables	15	(29.3)	(79.8)
Total liabilities		**(39.7)**	**(122.8)**
Net assets		**4,267.6**	**3,454.8**
Equity			
Share capital	16	73.1	73.1
Share premium		83.9	83.9
Other reserves	17	1,360.8	710.8
Retained earnings		2,749.8	2,587.0
Total equity		**4,267.6**	**3,454.8**

The financial statements of ReAssure Group Limited, (registered number 02970583) were approved by the Board of Directors and authorised for issue on 11 June 2018 and signed on its behalf by:

Matthew Cuhls
Director
11 June 2018

Statement of changes in equity

For the year ended 31 December 2017

	Attributable to owners of the company				
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2017	73.1	83.9	710.8	2,587.0	3,454.8
Profit for the financial year	-	-	-	1,026.6	1,026.6
Other comprehensive income for the year	-	-	-	27.2	27.2
Total comprehensive income for the year	-	-	-	1,053.8	1,053.8
Dividends	-	-	-	(891.0)	(891.0)
Capital contributions	-	-	650.0	-	650.0
At 31 December 2017	**73.1**	**83.9**	**1,360.8**	**2,749.8**	**4,267.6**

For the year ended 31 December 2016

	Attributable to owners of the company				
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2016	73.1	83.9	0.8	2,289.2	2,447.0
Profit for the financial year	-	-	-	696.2	696.2
Other comprehensive loss for the year	-	-	-	(64.9)	(64.9)
Total comprehensive income for the year	-	-	-	631.3	631.3
Dividends	-	-	-	(346.0)	(346.0)
Capital contributions	-	-	710.0	12.5	722.5
At 31 December 2016	**73.1**	**83.9**	**710.8**	**2,587.0**	**3,454.8**

Statement of cash flows

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Net cash generated from operating activities	19	**(76.4)**	**28.7**
Cash flows from investing activities			
Interest received	5	1.0	0.1
Dividends received from subsidiary undertaking	4	1,044.0	406.0
Realised gains/(losses) on short term investments	4	(0.1)	0.3
Capital contribution from parent undertaking		650.0	-
Capital contribution made to subsidiary undertaking	11	(690.0)	(15.0)
Net cash flows generated from investing activities		**1,004.9**	**391.4**
Cash flows from financing activities			
Dividends paid	10	(891.0)	(346.0)
Other finance expense		-	(1.2)
Net cash flows used in financing activities		**(891.0)**	**(347.2)**
Net increase in cash and cash equivalents		**37.5**	**72.9**
Cash and cash equivalents at the beginning of the year	13	141.2	68.3
Cash and cash equivalents at the end of the year		**178.7**	**141.2**

Notes to the financial statements for the year ended 31 December 2017

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and preceding year.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The company is included in the consolidated financial statements of Swiss Re Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006 and IFRS 10 Consolidated Financial Statements, paragraph 4(a).

In assessing whether the company is a going concern the directors have taken into account the guidance issued by the Financial Reporting Council in April 2016. Based on the future outlook of the company and the group, and the company's strong net asset position, the directors have prepared these financial statements on the going concern basis. In addition to this, the Company has provided guarantees in respect of the going concern basis to the two service companies within the Group, ReAssure UK Services Limited and ReAssure Companies Services Limited as both these companies made losses during 2017.

b) New standards, amendments and policies not yet adopted by the company

The following new standards have not yet been adopted by the company:

IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The full impact of IFRS 16 has not yet been assessed.

IFRS 9 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014 and replaces the guidance in international accounting standard ("IAS") 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit and loss and fair value through other comprehensive income. The standard is effective for accounting periods beginning on or after 1 January 2018 and early adoption is permitted.

Management anticipates that these new standards will not have a material impact on the financial statements of the Company.

c) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and underlying assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

1. Accounting policies (continued)

c) Critical accounting estimates and judgements (continued)

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 8.

Investment in group undertakings

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Investment in subsidiaries are valued at cost less impairment per IAS/IFRS requirements. The carrying value of the company's investment in ReAssure Limited has been assessed for impairment with reference to the Solvency II valuation of the underlying business. The non-profit fund capital value, excluding transitional measures, has been used in the impairment review on the investment.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement. The carrying amount of these assets approximates to their fair values.

e) Investments

Shares in and loans to subsidiary undertakings are accounted for under the historical cost convention. At each balance sheet date, the company performs an assessment of the estimated realisable value of each investment in a subsidiary. Where the estimated realisable value is less than the carrying value, the investment is impaired.

The impairment, which is calculated as the difference between the carrying value and the estimated realisable value, is charged to the income statement. Where an investment in a subsidiary has previously been impaired and a subsequent estimation of that investment's realisable value is higher than the impaired carrying value, the previous impairment is reversed through the income statement. The maximum value for this is that of the original historical cost.

f) Interest payable

Interest payable is charged to the income statement on an accruals basis.

g) Taxation

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the income statement unless it relates to items which are recognised in other comprehensive income.

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent that it is probable that future taxable profits will arise against which the profits can be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period.

1. Accounting policies (continued)

h) Retirement benefits
The company operates one defined benefit pension scheme, the ReAssure Staff Pension Scheme, which is closed to future accruals. The company follows the provisions on IAS 19 Employee Benefits in accounting for the scheme. The cost of providing benefits is determined using the projected unit credit valuation method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled. Plan assets are held by a separately administered fund and are not available to the company nor can they be paid directly to the company. Fair value is based on market price information and in the case of quoted securities or investment vehicles it is the published price.

A finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

The company also operates an unfunded, unapproved retirement benefit scheme or private retirement trust for one deferred member.

2. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2017 £m	2016 £m
Fees payable to the company's auditors for the statutory audit of the company's annual financial statements	0.1	0.1
Fees payable to the company's auditors for other services		
The audit of the company's subsidiaries	0.6	0.6
Total audit fees	**0.7**	**0.7**
Audit related assurance services	1.4	0.6
Other assurance services	-	0.4
Total fees	**2.1**	**1.7**

Audit related assurance services include the audit of regulatory returns, review of reporting to the group's parent company and audit of embedded value reporting. Other assurance services include fees for assurance services to assess the preparedness of the business for Solvency II implementation.

Auditors' remuneration is borne by ReAssure UK Services Limited ("RUKSL"), a subsidiary undertaking.

3. Staff costs and directors' remuneration

No staff were employed by the company in the current or prior year. The directors received no direct remuneration for their services to the company (2016: nil).

Key management includes directors of the company and subsidiaries. Some members of key management of the company are also key management of other group undertakings. For 2016, due to the acquisition of the entire business of the Guardian Assurance Limited group by ReAssure Limited, their emoluments were apportioned between their services as key management of the Company and their services as key management of other group undertakings. For 2017, no such apportionment has been made.

The aggregate emoluments of 14 members of key management (2016: 13) are shown in the table below. All members of key management were remunerated by RUKSL.

There are 4 key management personnel (2016: 2) who are accruing benefits under the defined contribution pension scheme.

	2017 £m	2016 £m
Salaries and other short-term employee benefits	2.9	1.5
	2.9	**1.5**

	2017 £m	2016 £m
Highest paid director		
Emoluments	0.5	0.2

4. Net investment income

	2017 £m	2016 £m
Dividends received from subsidiary undertakings	1,044.0	406.0
Amounts written back to investments (see note 11)	13.1	324.6
Unrealised losses on short term investments	-	(0.2)
Realised losses from financial investments	(0.1)	-
	1,057.0	**730.4**

5. Interest income

	2017 £m	2016 £m
Interest income from financial investments	0.8	0.1
Income from other financial investments	-	0.5
	0.8	**0.6**

6. Other finance income and expense

	2017 £m	2016 £m
Net interest income / (expense) on net defined pension benefit asset	(1.1)	1.2

7. Retirement benefit schemes

The company operates one defined benefit scheme, the ReAssure Staff Pension Scheme ("RSPS") which is closed to future accruals. The company also operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member. A defined contribution pension scheme, the Group Personal Pension scheme, is operated by ReAssure UK Services Limited, a subsidiary undertaking.

The company has an unconditional right to the return of any surplus in the scheme once all the scheme liabilities have been satisfied. As a result there is no requirement to apply an asset ceiling under IAS 19 and any surplus in the scheme can be recognised as an asset in the company balance sheet.

Future funding requirements are determined by the outcome of the triennial scheme valuation which was last performed at 31 December 2014. The triennial valuation for 31 December 2017 has not yet been completed.

The assumptions used in calculating the accounting costs and obligations of the RSPS and the private retirement trust, as detailed below, are set by the directors after consultation with independent, professionally qualified actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the RSPS.

	2017	2016
Discount rate	2.6%	2.6%
Inflation rate	3.4%	3.5%
Rate of increase in salaries	3.4%	3.5%
Rate of increase in pensions	3.4%	3.5%
Rate of increase in deferred benefits during deferment	2.4%	2.5%

	2017	2016
assumptions:		
Longevity at age 60 for current pensioners		
- Men	28.9 years	29.3 years
- Women	30.4 years	30.9 years
Longevity at age 60 for future pensioners currently aged 45		
- Men	30.3 years	30.9 years
- Women	31.8 years	32.6 years

7. Retirement benefit schemes (continued)

a) ReAssure Staff Pension Scheme

The assets of the RSPS are held in separate, trustee administered funds.

The most recent full actuarial valuation for funding purposes was performed by Willis Towers Watson, a firm of independent actuaries, at 31 December 2014.

There were no contributions made in respect of current service for the current and prior years. The company agrees to cover those expenses incurred by the scheme and the cost of the death-in-service benefits for those members of the scheme who are entitled only to those benefits. During the year, the company paid £Nil (2016: £3.5m) to reduce the deficit in the scheme. In addition, the company paid an augmentation premium of £0.988m (2016: £0.7m) in respect of linked deferred members.

The fair value of the assets of the RSPS is set out below:

	2017 £m	2016 £m
Equities	149.0	139.8
Bonds	162.5	224.5
Gilts	91.2	27.2
Other	6.5	2.1
	409.2	393.6

The equity investments and bonds which are held in scheme assets are quoted and are valued at the bid price at 31 December.

The table below details the movements in the pension assets and liabilities recorded through the income statement and other comprehensive income:

	Fair value of scheme assets £m	Present value of obligation £m	Asset/(liability) recognised on balance sheet £m
At 1 January 2017	393.6	(434.8)	(41.2)
Current service cost	-	(1.0)	(1.0)
Interest income/(cost)	10.1	(11.1)	(1.0)
Administrative expenses	(1.0)	-	(1.0)
Total amounts recognised in income statement	9.1	(12.1)	(3.0)
Actuarial gain	17.1	15.5	32.6
Total remeasurement in other comprehensive income	17.1	15.5	32.6
Contributions paid by employer	2.0	-	2.0
Benefits paid	(12.6)	13.6	1.0
At 31 December 2017	**409.2**	**(417.8)**	**(8.6)**

7. Retirement benefit schemes (continued)

a) ReAssure Staff Pension Scheme (continued)

	Fair value of scheme assets £m	Present value of obligation £m	Asset/(liability) recognised on balance sheet £m
At 1 January 2016	347.2	(317.3)	29.9
Current service cost	-	(1.2)	(1.2)
Interest income/(cost)	13.1	(11.9)	1.2
Administrative expenses	(1.2)	-	(1.2)
Total amount recognised in income statement	11.9	(13.1)	(1.2)
Actuarial (loss)/gain	37.0	(114.6)	(77.6)
Total remeasurement in other comprehensive income	37.0	(114.6)	(77.6)
Contributions paid by employer	6.5	-	6.5
Benefits paid	(9.0)	10.2	1.2
At 31 December 2016	**393.6**	**(434.8)**	**(41.2)**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2%
RPI inflation*	Increase/decrease by 0.1%	Decrease/increase by 2%

* including associated changes to pension increases, salary increases and CPI inflation.

7. *Retirement benefit schemes (continued)*

a) ReAssure Staff Pension Scheme (continued)

Risks and risk management

The RSPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the company has sought to manage them, are set out below:

i) Asset volatility

The scheme currently invests in equities, corporate bonds and index linked gilts. These assets are subject to market risk in the form of both equity price risk from changes in equity prices and interest rate risk from changes in interest rates. The investments in corporate bonds also carry default risk, although defaults from corporate bonds held by the scheme have historically been low.

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan equities are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. If yields on corporate bonds fall then plan liabilities will increase although this will be partially offset by an increase in the value of the plans bond holdings.

As the plan matures, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. Over the last year the scheme has reduced its equity holding and invested in some index linked gilts. However while planning to reduce investment risk over the long term, the company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, in the short to medium term a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plan efficiently.

ii) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (corporate bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. However, during the year the scheme sold some of its equity holdings and reinvested in index linked gilts, which provide a hedge against inflation risk. While the holding of index linked gilts is currently small relative to the total size of the fund they do provide some protection against inflation risk.

iii) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

b) Private retirement trust

The company operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member.

The fair value of the assets of the Private Retirement Trust is set out below:

	2017	2016
	£m	£m
Equities	0.3	0.2
Other	0.1	0.1
	0.4	0.3

The equity investments which are held in scheme assets are quoted and are valued at the bid price at 31 December.

7. Retirement benefit schemes (continued)

b) Private retirement trust

The table below details the movements in the pension assets and liabilities recorded through the income statement and other comprehensive income relating to the private retirement trust.

	Fair value of scheme assets £m	Present value of obligation £m	Liability recognised on balance sheet £m
At 1 January 2017	0.3	(2.1)	(1.8)
Actuarial gain taken to other comprehensive income	0.1	-	0.1
Interest income/(cost)	-	(0.1)	(0.1)
At 31 December 2017	**0.4**	**(2.2)**	**(1.8)**
	scheme assets £m	of obligation £m	recognised on £m
At 1 January 2016	0.3	(1.6)	(1.3)
Actuarial loss taken to other comprehensive income	-	(0.5)	(0.5)
At 31 December 2016	**0.3**	**(2.1)**	**(1.8)**

8. Taxation on profit on ordinary activities

a) Analysis of (charge)/credit in year	2017 £m	2016 £m
taxation		
UK corporation tax	(0.4)	3.9
Adjustments in respect of prior periods	(1.6)	0.5
Total current tax credit for the year	(2.0)	4.4
Tax (charge)/credit on profit on ordinary activities	**(2.0)**	**4.4**

b) Reconciliation of tax (charge)/credit on profit attributable to shareholders

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25%.

	2017 £m	2016 £m
Profit on ordinary activities before taxation	1,028.6	691.8
Tax on profit on ordinary activities at 19.25% (2016: 20%)	(198.0)	(138.4)
Effects of:		
Non-taxable dividend income	201.0	81.2
Amount written off investments	2.5	-
Permanent disallowable items	-	65.0
Transfer pricing adjustments	(5.5)	(3.9)
Adjustments in respect of prior years	(1.6)	0.5
Other	(0.4)	-
Total tax (charge) /credit for the year	**(2.0)**	**4.4**

c) Factors affecting the current and future tax charges

A reduction of 2% to the corporation tax rate (reducing the rate to 17%) for the year commencing 1 April 2020, was enacted by Royal Assent in 2016. Accordingly, the relevant deferred tax balances have been measured at 17%.

9. Deferred tax

	2017 £m	2016 £m
Net deferred tax asset opening balance	13.3	0.1
Charged to the statement of comprehensive income	(5.5)	13.2
Net deferred tax asset closing balance	**7.8**	**13.3**

The deferred tax asset relates to the pension scheme and arises from the movement in OCI over the year. The pension scheme is expected to be fully financed by the business and as the OCI loss is reduced a tax deduction can be claimed. Accordingly it is appropriate to recognise a deferred tax asset in relation to the OCI movement.

Deferred tax assets are recognised only when projections indicate that it is more likely than not that timing differences will reverse or losses will be relieved within the group.

10. Dividends

	2017 £m	2016 £m
Interim ordinary dividend paid	891.0	346.0

The directors have not yet proposed a final ordinary dividend for the year ended 31 December 2017 (2016: £891.0m).

11. Investment in group undertakings

	2017 £m	2016 £m
Cost		
At 1 January	3,513.0	2,788.0
Subscription for shares (i)	40.0	15.0
Capital contribution (ii)	650.0	710.0
At 31 December	**4,203.0**	**3,513.0**
Provision for impairment		
At 1 January	116.0	440.6
Reversal for the year (iii)	(40.3)	(343.6)
Impairment for the year (iii)	27.2	19.0
At 31 December	**102.9**	**116.0**
Net book value	**4,100.1**	**3,397.0**

11. Investment in group undertakings (continued)

(i) In the year ended 31 December 2017, the company subscribed for 40,000,000 (2016: 15,000,000) £1 ordinary shares in its subsidiary ReAssure UK Services Limited.

(ii) In December 2017 ReAssure announced the purchase of 1.1 million life assurance policies from Legal and General (L&G) for £650 million, including with-profit, unit-linked and savings products. ReAssure Group Limited received a capital contribution from its parent company, Swiss Re ReAssure Midco Limited which is offset by a corresponding increase to the value of investments in subsidiary, with the funds flowing down the group chain to ReAssure Limited.

In the prior year, Swiss Re Life Capital Limited acquired ReAssure Jersey One Limited (formerly Guardian Holdings Europe Limited). As part of the acquisition, the investment held by Swiss Re ReAssure Midco Limited (formerly Guardian Finance Limited) in ReAssure Financial Services Holdings UK Limited (formerly Guardian Financial Services Holdings UK Limited) was contributed to the company at book value of £710.0m.

(iii) The directors review the carrying value of the company's investments in subsidiary undertakings in the manner set out in the accounting policies. In doing this the directors consider the value of all fixed assets of the company without necessarily revaluing those assets. Following the capital contribution from the parent company and the acquisition of the L&G policies, the directors considered that the remaining provision of £40.3m previously raised against the company's investment in ReAssure Limited should be written back. A further provision of £27.2m was recognised against the investment in ReAssure UK Services Limited. In the prior year the directors considered a provision of £19m for the investment in ReAssure UK Services Ltd and a write back of £343m of provisions previously raised against the investment in ReAssure Ltd, the value of which has increased following the Part VII of Guardian Ltd.

11. Investment in group undertakings (continued)

The interest held by the company is the ordinary share capital of its subsidiary undertakings, all of which are registered in England and Wales, with the exception of Ark Life Assurance Company DAC, which is registered in the Republic of Ireland.

Company	Principal activity	Holding
Direct subsidiaries		
ReAssure Limited	Long-term insurance	100%
ReAssure UK Services Limited	Management service company	100%
ERIP General Partner Limited	Management service company	80%
ReAssure FSH UK Limited	Management service company	100%
C Financial Management Limited	Intermediate holding	100%
G Life H Limited	Intermediate holding	100%
BL Telford Limited	Non-trading	100%
Reassure UK Life Assurance Limited	Non-trading	100%
Reassure Life Limited	Non-trading	100%
NM Life Trustees Limited	Non-trading	100%
NM Pensions Limited	Non-trading	100%
ReAssure Pension Trustees Limited	Dormant	100%
Indirect subsidiaries		
Ark Life Assurance Company dac (Ireland)	Long-term insurance	100%
Guardian Assurance Limited	Long-term insurance	100%
ReAssure Companies Services Limited	Management service company	100%
G Assurance & Pension Services Limited	Non-trading	100%
ReAssure Linked Life Limited	Non-trading	100%
ReAssure Pensions Management Limited	Non-trading	100%
Namulas Pension Trustees Limited	Dormant	100%
Gresham Life Assurance Society Limited	Dormant	100%
ReAssure Trustees Limited	Dormant	100%
G Financial Services Limited	Dormant	100%
G Trustees Limited	Dormant	100%
ReAssure Nominees Limited	Dormant	100%
ReAssure FS Limited	Dormant	100%

The registered office of Ark Life Assurance Company DAC is 3rd Floor, College Park House, Nassau Street, Dublin

The company has confirmed that so long as it remains the immediate parent undertaking of its subsidiaries, it intends to provide such financial and other support as is necessary for the subsidiary undertakings to continue to trade or otherwise meet their obligations as they fall due.

Notes to the financial statements for the year ended 31 December 2017 (continued)

12. Other receivables

	2017 £m	2016 £m
Amounts owed by group undertakings	6.9	7.8
Other debtors	0.2	-
Current income tax receivable	-	4.4
	7.1	**12.2**

13. Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	178.7	141.2
	178.7	**141.2**

There are no amounts included in the cash and cash equivalents balances that are not readily available.

14. Debt securities

	2017 £m	2016 £m
Debt securities at fair value through profit or loss	13.6	13.9
	13.6	**13.9**

15. Other payables

	2017 £m	2016 £m
Current liabilities		
Amounts owed to group undertakings	(22.8)	(9.7)
Other creditors including tax	(4.5)	(70.1)
Current income tax liabilities	(2.0)	-
	(29.3)	**(79.8)**

In the prior year the other creditors balance includes a £5m termination provision created for the settlement of the former director's contract.

16. Share capital

	2017 £m	2016 £m
Issued and fully paid		
7,305,069,423 ordinary shares of £0.01 each	73.1	73.1

17. Other Reserves

	2017 £m	2016 £m
Other reserves	1,360.8	710.8
	1,360.8	**710.8**

In December 2017 ReAssure announced the purchase of 1.1 million life assurance policies from Legal and General (L&G) for £650 million, including with-profit, unit-linked and savings products. ReAssure Group Limited received a capital contribution from its parent company, Swiss Re ReAssure Midco Limited which is offset by a corresponding increase to the value of investments in subsidiary, with the funds flowing down the group chain to ReAssure Limited.

In the prior year, Swiss Re Life Capital Limited acquired ReAssure Jersey One Limited (formerly Guardian Holdings Europe Limited). As part of the acquisition, the investment held by Swiss Re ReAssure Midco Limited (formerly Guardian Finance Limited) in ReAssure Financial Services Holdings UK Limited (formerly Guardian Financial Services Holdings UK Limited) was contributed to the company at book value of £710.0m.

As the transfer of assets in this transaction is unrealised, the capital contribution is non-distributable and is therefore recognised under other reserves.

18. Related party transactions

a) Immediate and ultimate parent undertaking

The company is incorporated and domiciled in England and Wales. The immediate parent company is Swiss Re ReAssure Midco Ltd, incorporated in Jersey.

The parent company of the largest group in which the results of the company are consolidated is that of Swiss Re Limited, the ultimate and controlling parent undertaking. The consolidated financial statements of Swiss Re Limited may be obtained on www.swissre.com or from its registered office at Mythenquai 50/60, PO Box 8022, Zurich, Switzerland.

b) Services received from related parties

	2017 £m	2016 £m
Subsidiaries	6.8	6.9

c) Year-end balances with related parties (excluding loans)

	2017 £m	2016 £m
Parent company	-	0.3
Subsidiaries	(6.4)	(5.7)
Other subsidiary undertakings of Swiss Re Limited	2.4	3.7
	(4.0)	**(1.7)**

19. Net cash generated from/(used in) operating activities	2017 £m	2016 £m
Operating loss for the year	(28.5)	(40.4)
Adjustments for:		
Adjustment for pension funding	(0.9)	(5.2)
Increase / (decrease) in deferred tax asset	(5.5)	13.2
Income taxes paid	9.9	(2.1)
(Increase) /decrease in receivables	0.8	(5.3)
Increase/(decrease) in payables	(52.2)	68.5
Net cash generated from/(used in) operating activities	**(76.4)**	**28.7**

20. Post balance sheet events

The Directors are not aware of any significant post balance sheet events that require disclosure in the financial statements.