



Chesnara plc

Half Year Report
For the Six Months Ended
30 June 2017

WELCOME TO THE CHESNARA HALF YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

Cautionary statement

This document may contain forward-looking statements with respect to certain of the plans and current expectations relating to the future financial condition, business performance and results of Chesnara plc. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Chesnara plc including, amongst other things, UK domestic, Swedish domestic, Dutch domestic and global economic and business conditions, market-related risks such as fluctuations in interest rates, currency exchange rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Chesnara plc and its subsidiaries operate. As a result, Chesnara plc's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

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SECTION A: OVERVIEW

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HIGHLIGHTS

FINANCIAL



IFRS

IFRS PRE-TAX PROFIT Note 1

SIX MONTHS ENDED 30 JUNE 2016 £0.2M

£51.6M

GROUP SOLVENCY

31 DECEMBER 2016 158%*

143%

We are well capitalised at both group and subsidiary level and have not used any elements of the long term guarantee package, including transitional arrangements.

[Capital management page 20](#)

IFRS TOTAL COMPREHENSIVE INCOME Note 1 £53.8M

SIX MONTHS ENDED 30 JUNE 2016 £15.7M

Includes foreign exchange gain of £7.1m (£15.2m foreign exchange gain for six months ended 30 June 2016).

Note 1: Includes £20.7m gain on acquisition of Legal & General Nederland.

[Financial review page 24](#)



ECONOMIC VALUE

ECONOMIC VALUE Note 2

31 DECEMBER 2016 £602.6M

£700.4M

GROUP CASH GENERATION

SIX MONTHS ENDED 30 JUNE 2016 £13.6M

£46.2M

Movement in the period is stated after dividend distributions of £19.0m.

[Financial review page 27](#)

Includes the end to end impact of the acquisition of Legal & General Nederland.

[Financial review page 25](#)

ECONOMIC VALUE EARNINGS Note 2

SIX MONTHS ENDED 30 JUNE 2016 £(3.5)M

£105.8M

DIVISIONAL CASH GENERATION

SIX MONTHS ENDED 30 JUNE 2016 £9.8M

£54.8M

Note 2: Includes £65.4m gain on acquisition of Legal & General Nederland.

[Financial review page 26](#)

[Financial review page 25](#)

MOVESTIC NEW BUSINESS PROFIT

SIX MONTHS ENDED 30 JUNE 2016 £4.0M

£6.5M

[Business review page 16](#)

These financial highlights include the use of Alternative Performance Measures (APMs) that are not required to be reported under International Financial Reporting Standards. The definition for each of these items has been included in the Financial Review section on pages 22 to 23 and the glossary on pages 49 to 50.

OPERATIONAL & STRATEGIC



DIVIDEND

INTERIM DIVIDEND INCREASE

Interim dividend increased by 2.94% to 7.00p per share (2016: 6.80p interim and 12.69p final).



ACQUISITIONS

COMPLETION OF LEGAL & GENERAL NEDERLAND ACQUISITION

With a purchase price of €161m, this acquisition was successfully completed on 5 April 2017 and the company renamed Scildon. Good initial progress has been made on integration with the Chesnara group with benefits delivered slightly ahead of expectations.



ECONOMIC BACKDROP

POSITIVE EQUITY MARKETS, INCREASES IN DUTCH AND SWEDISH GOVERNMENT BOND YIELDS AND STRENGTHENING OF EURO AND SWEDISH KRONA AGAINST STERLING

Equity markets have continued to perform positively during the first six months of the year. In addition, 10 year government bond yields have increased in both Sweden and the Netherlands, whilst UK 10 year gilts have closed in line with the start of the year. The Swedish Krona and Euro have both strengthened against Sterling, resulting in positive exchange gains being reported in the period.



SOLVENCY

SOLVENCY II DELIVERED

New reporting requirements embedded with the successful delivery of quarterly, annual and narrative reporting submissions to the regulators.

Throughout the Half Year Report the following symbols are used to help distinguish between the various financial and non-financial measures reported:



IFRS



Cash generation ^{not}



Economic value



Economic value earnings



Solvency



Dividend / Total Shareholder Return



Part VII



Operational performance



Compliance



New business market share



Acquisitions



Risk appetite

Strong results during the first half of 2017 are underpinned by the continuation of good value emergence from the UK business, as many operational and economic value drivers have aligned to give a better than expected positive cumulative impact.

I am also pleased to report that our overseas operations are making significant contributions to cash and value generation. Movestic continues to grow and this has resulted in further cash generation and dividend potential.

The completion of the acquisition of Legal & General Nederland, now successfully rebranded as “Scildon”, has delivered “Day 1” benefits slightly ahead of expectations. Furthermore, our early assessment of the business confirms our expectation that Scildon, following a planned improvement programme, will provide future cash generation and value growth.

We have made great progress integrating Scildon into the Chesnara group and will continue with our focus of maximising the value from all our existing in-force books of business and our acquisition and new business objectives.

CHAIRMAN'S STATEMENT

During the first half of 2017 we have delivered against each of our core strategic objectives with economic tailwinds, good operational delivery and the successful completion of the acquisition of Legal & General Nederland. This has resulted in financial results that support the continuation of our dividend strategy and show continued Economic Value growth. This has been achieved whilst remaining true to our well established culture and values of treating customers fairly and adopting a robust approach to regulatory compliance. Importantly, the business growth has been achieved without compromising our risk appetite.

MAXIMISE VALUE FROM EXISTING BUSINESS

7.4% growth in group Economic Value Note 1

Note 1 – Excluding the Economic Value gain on acquisition of Legal & General Nederland, new business profits and the impact of the dividend payment in the period.

See pages 12-17 for further information.

ACQUIRE LIFE AND PENSIONS BUSINESSES

Acquisition of Legal & General Nederland (now Scildon) created a positive Economic Value impact of £65.4m.

See pages 18-19 for further information.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

New business profits from Movestic of £6.5m plus a modest post acquisition new business profit of £0.6m from Scildon.

See pages 14-17 for further information.

Maximise value from existing business

All of our divisions have made full positive cash contributions. This together with the impact of the acquisition of Legal & General Nederland, resulted in a total group cash generation of £46.2m

A large proportion of the cash emergence is driven by positive economic conditions which of course may not continue in the future. The cash generation has also been positively impacted by several non recurring capital requirement reduction items including the reinvestment of Scildon's shareholder assets from equities to less capital intensive fixed interest investments.

The growth in the Economic Value of the existing business is also dominated by the impact of positive economic conditions. The group's economic operating profit is relatively modest as a result of a recurring increase in group governance overheads in support of the acquisition of Legal & General Nederland and we have made provision to adopt a slightly more attractive pricing strategy on certain white label funds in Movestic. The underlying operating profit is in line with expectations.

THE ECONOMIC VALUE OF THE GROUP HAS INCREASED BY 16.2% IN THE PERIOD OF WHICH 10.9% RELATES TO THE GAIN ON COMPLETION OF THE ACQUISITION OF LEGAL AND GENERAL NEDERLAND.

Acquire life and pensions businesses

The completion of the acquisition of Legal & General Nederland has delivered "Day 1" financial benefits slightly ahead of expectations. Since completion, management have spent time working with our new colleagues in the Netherlands. Initial assessment confirms that the business is well managed and soundly governed. We have also identified opportunities to make some relatively modest improvements over the next two years which we expect to increase the future financial returns from the business. We have completed a successful rebrand to the new company name, "Scildon" and have made significant progress in integrating the business into the Chesnara group.

Enhance value through profitable new business

Movestic has continued to operate within its market share target range and has generated £6.5m of new business profit which on an annualised basis represents a 5.3% growth on Movestic's opening Economic Value. We acquired Scildon with an expectation that it was breaking even on writing new business. It is therefore pleasing to report that Scildon generated £1.7m of new business profit in the first half of 2017. Through some modest but smart process changes we aim to move towards the upper end of our target 5% - 10% market share range which would create more commercially meaningful levels of new business profit.

FURTHER NEW BUSINESS PROFIT FROM MOVESTIC OF £6.5M.

VALUE GROWTH, DRIVEN IN THE MAIN BY ECONOMIC CONDITIONS, TOGETHER WITH SEVERAL NON RECURRING CAPITAL REDUCTION ACTIONS, HAS RESULTED IN STRONG CASH GENERATION.

THE COMPLETION OF THE ACQUISITION OF LEGAL & GENERAL NEDERLAND (SINCE REBRANDED SCILDON) CONTINUES CHESNARA'S EVOLUTION FROM A UK OPERATION TO BECOMING A BALANCED EUROPEAN GROUP. THIS ENHANCES THE OUTLOOK IN TERMS OF DIVERSIFICATION OF THE GROUP AND IMPROVED CASH GENERATION POTENTIAL, VALUE GROWTH AND ACQUISITION OPPORTUNITIES. INITIAL ASSESSMENT OF THE BUSINESS CONFIRMS OUR VALUATION ASSUMPTIONS AND GIVES COMFORT THAT WE HAVE ACQUIRED A HIGH QUALITY, WELL GOVERNED BUSINESS. WE HAVE ALSO IDENTIFIED IMPROVEMENT OPPORTUNITIES WHICH WILL BE DELIVERED OVER THE NEXT TWO YEARS.

Legal & General Nederland
now rebranded to:



Solvency II Implementation

After many years and lots of hard work I am pleased to report the implementation stage of the transition to the Solvency II regime is now fully complete. During the period, we successfully produced our inaugural Solvency II narrative reports with the Solvency and Financial Condition Report being made available on our website. We believe Solvency II creates an improved focus on capital requirements and risk. This means we can better assess the impact of management decisions and also creates the potential for value adding management actions.

As Solvency II becomes embedded into day to day operations, the industry now faces the challenge of applying new accounting rules for insurance contracts, known as IFRS 17. It is not expected to have any direct bearing on the commercial assessment of Chesnara. That is, it is not expected to have an impact on Economic Value or cash generation, other than the direct impact of the cost of implementing the change. The interim results incorporate an estimate of the future costs of further assessment and implementation of this accounting development. For investors who do focus on the IFRS results, IFRS 17 should help make the income statements for Life & Pensions companies more meaningful and allow better direct comparison across the industry and to other sectors.

AN INCREASED
UNDERSTANDING OF THE
DYNAMICS OF SOLVENCY II IS
EXPECTED TO CREATE AN
OPPORTUNITY TO BENEFIT
FROM CAPITAL OPTIMISATION
IN THE FUTURE.

Regulation

Compliance with regulation remains a priority for the group. We have continued to maintain a positive and constructive relationship with regulatory bodies across the group.

Following the final guidance from the FCA's review of the "Fair treatment of long standing customers in the life insurance sector", we have been able to progress with the delivery of our Customer Strategy. The programme is now established and board approved budgets are recognised within our provisions. The work undertaken to date continues to support the level of provision made. The project does include an improvement plan which, when completed will ensure our customers continue to receive fair outcomes, a positive customer experience and communications in line with the FCA's new guidelines.

The investigation into how Countrywide Assured disclosed exit fees to customers, initially announced on 3 March 2016, is ongoing. We have provided the FCA with all information requested. Discussions are ongoing and given the narrow scope of the investigation we retain our opinion that the outcome from the investigation should not have a material impact on the company.

No significant regulatory issues have arisen in the Netherlands or Sweden during the period.

Solvency

At the end of 2016 the group solvency ratio, which includes no transitional adjustments, was 158% which translated to an absolute level of surplus of £185m. This position had the temporary benefit of holding £50m of surplus due to the equity raised in advance of funding the acquisition of Legal & General Nederland. The underlying solvency ratio of 144% equated to £135m of absolute surplus.

During the first half of 2017 the absolute level of surplus, over and above the SCR increased by £47m. Of this increase £4.7m was the direct consequence of the acquisition of Legal & General Nederland. This relatively modest impact is in line with expectations and is consistent with the equity raise prospectus. The acquisition impact as reported includes the benefits of having reinvested shareholder assets shortly after completion from equities to fixed income investments, with lower capital requirements. This is consistent with Chesnara's investment policy and risk appetite regarding the investment of shareholder assets. The remainder of the surplus emerging is due to surpluses arising in all of our businesses. The UK provided the majority of the increase although Movestic and Waard continued to make meaningful positive contributions. Whilst the post acquisition period for Scildon is too short to form any conclusions regarding future cash generation, it was encouraging to see a surplus of £3.3m emerge during the second quarter. On an annualised basis this is broadly inline with expectations.

When expressed as a ratio the closing solvency ratio as at 30 June 2017 of 143% is broadly the same as at the end of 2016 (adjusted to exclude the temporary equity raise benefit).

CHAIRMAN'S STATEMENT

Investment proposition

Given Chesnara shares are primarily held by those requiring attractive income, I am pleased to report a 2.94% increase in our interim dividend.

2.94% INCREASE IN INTERIM DIVIDEND.

Governance and risk management

We continue to place great importance on the continuous enhancement of our risk and governance system, and have a number of developments underway. Embedding activity continues with significant focus in 2017 on continuing to increase the consistency of our approach across the group, including the newly acquired Scildon business.

In line with our implementation of a strong governance framework, we plan to put our external audit out to tender during the second half of 2017. The successful firm will assume responsibilities for the audit of the 2018 statements.

Outlook and Brexit

I remain optimistic that Chesnara can continue to deliver against its strategic objectives which in turn fund our well established dividend strategy.

In particular, the UK business remains a robust source of cash, with additional potential to take management actions to enhance the core cash if required. Movestic now has the scale to continue contributing to the cash position and Scildon has significant surplus capital and is also expected to be cash generative on an ongoing basis.

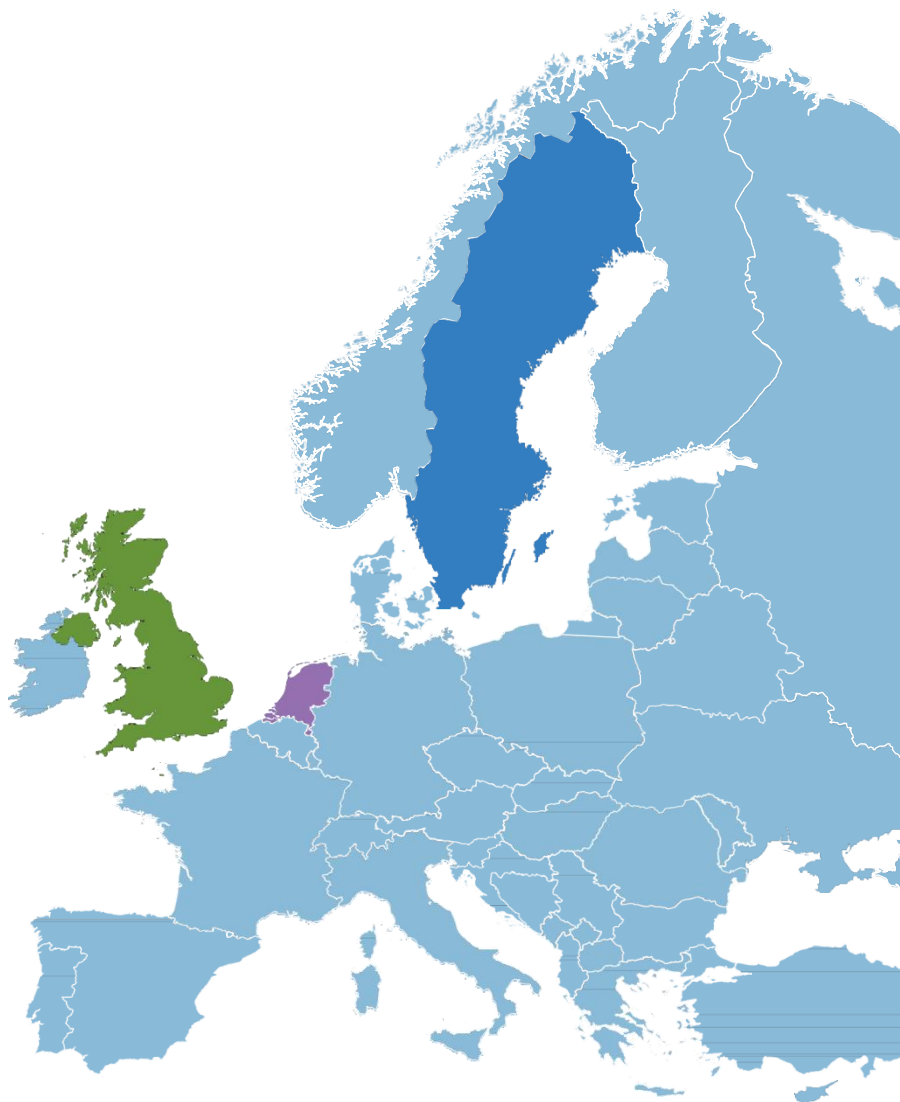
We now have sufficient scale and presence in both the UK and the Netherlands to continue our focus on acquisition activity in those territories. We also remain open minded about new territories but the benefits would need to outweigh the inherent challenge of adding another regulatory environment into our business model. Our balance sheet has further capacity for debt, we have significant levels of surplus capital and recent experience suggests we retain shareholder support for further equity for the right deal. This together with operational capacity means we remain well positioned to act should an opportunity arise that meets our stringent price and risk profile criteria.

Movestic has become an established profitable new business operation and I see potential for Scildon to make improvements to their new business value in the medium term. I believe this will result in a meaningful level of recurring value growth from new business being achieved without an inappropriate shift from our core specialism of acquiring and managing in-force businesses.

The structure of the group, having established regulated entities in several European countries together with the fact we do not trade or share resource across territories, means I remain of the view that whatever the outcome from the Brexit negotiations, we expect it to have little direct impact on our business model.

In light of the above I remain confident that Chesnara is well positioned to continue to provide value to policyholders and shareholders.

Peter Mason
Chairman
30 August 2017



SECTION B: MANAGEMENT REPORT

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BUSINESS REVIEW | INTRODUCTION

The business review is structured to report on how we have performed against each of our three stated strategic objectives and our culture and values. Where relevant, the review reports separately for our UK, Swedish and Dutch operations.

Our strategic objectives and culture and values are reassessed on an annual basis as part of the group business planning process. Their continued relevance gives consideration to recent performance, emerging risks and future opportunity and they are assessed giving full regard to both internal and external influences e.g. changes to regulatory requirements.

The three core strategic objectives, which are underpinned by the group's culture and values, are consistent with those reported in the 2016 Annual Report & Accounts.

The group's governance framework seeks to ensure that controls and procedures are in place to protect all stakeholders. The control environment has remained effective and robust throughout the period. Further details of the operation of the governance framework, and its future development, are included in Section C – Corporate Governance, of the 2016 Annual Report & Accounts.

This review focuses on:

- How we have performed generally
- Key developments and challenges
- Key performance indicators
- Risks associated with each objective



STRATEGIC OBJECTIVES, OVERVIEW CULTURE & VALUES

CULTURE & VALUES

Our strong culture and values underpin everything we do.

- Responsible risk-based management for the benefit of all our stakeholders.
- Fair treatment of customers.
- Provide a competitive return to our shareholders.
- Robust regulatory compliance.
- Maintain adequate financial resources.

BUSINESS MODEL

Our strategic objectives and culture and values are delivered through the operation of our business model.

In the UK, Chesnara adopts an outsourced business model. Governance oversight and corporate management is provided by a highly experienced centralised governance team. This governance team also ensures robust and consistent governance practice across the group, although operational autonomy is devolved to our divisions to ensure we benefit from our strong divisional management teams. Core operations are not outsourced in Sweden or the Netherlands because it would not suit the open business model or inherited model in those territories. .

MAXIMISE VALUE FROM EXISTING BUSINESS

Managing our existing customers fairly and efficiently is core to delivering our overall strategic aims.

DIVISIONAL UPDATE:	UK PAGE 12	SWEDEN PAGE 14	NETHERLANDS PAGE 16
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ACQUIRE LIFE AND PENSIONS BUSINESSES

Acquiring and integrating companies into our business model is key to continuing our growth journey. An update on how we have delivered against this strategic objective has been provided on pages 18 and 19.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

Writing profitable new business in Sweden and the Netherlands supports the growth of our group and helps mitigate the natural run off of our closed books of business.

DIVISIONAL UPDATE:	SWEDEN PAGE 14	NETHERLANDS PAGE 16
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The UK division manages 310,000 policies and is in run-off. The division follows an outsourcer-based operating model, with functions such as customer services, investment management and accounting and actuarial services being outsourced. A central governance team is responsible for managing all outsourced operations.

MAXIMISE VALUE FROM EXISTING BUSINESS

	BACKGROUND	INITIATIVES & PROGRESS IN 2017
CAPITAL & VALUE MANAGEMENT	<ul style="list-style-type: none"> - As a closed book, the division creates value through managing the following key value drivers: costs, policy attrition, investment growth and reinsurance strategy. - In general surplus regulatory capital emerges as the book runs off. Following the implementation of Solvency II, the surplus capital available is more closely linked with the level of risk that the division is exposed to. Management's risk-based decision making process seeks to continually manage and monitor the balance of making value enhancing decisions whilst maintaining a risk profile in line with the board's risk appetite. - At the heart of maintaining value is ensuring that the division is governed well from a regulatory and customer perspective. 	<ul style="list-style-type: none"> - Strong Economic Value growth of £21.9m in the period before impact of the dividend, driven by the positive impact of investment market conditions. - During the first half of the year £9.0m of previously trapped surplus capital was extracted from our two ring-fenced with-profit funds. - Cash of £30.4m has been generated by the division, including the aforementioned £9.0m from the ring-fenced funds. - IFRS profit before tax of £23.1m is ahead of plans. - Successful embedding of our Capital Optimisation Advisory Group, a sub-set of executive team members who focus on the division's solvency and value management initiatives.
CUSTOMER OUTCOMES	<ul style="list-style-type: none"> - Treating customers fairly is our primary responsibility. We seek to do this by having effective customer service operations together with competitive fund performance whilst giving full regard to all regulatory matters. This supports our aim to ensure policyholders receive good returns, appropriate communication, and service in line with customer expectations. - During December 2016 the FCA issued a publication "FG 16/8 Fair treatment of long-standing customers in the life insurance sector". Our customer strategy incorporates plans to ensure the guidelines within this publication are fully complied with. 	<ul style="list-style-type: none"> - The division has successfully embedded its customer committee during the period. One of its key immediate responsibilities is to deliver the oversight of the division's customer strategy implementation plan. This is a three year programme which incorporates changes required to ensure compliance with the newly issued guidelines by the FCA. - The FCA's investigation into the level of disclosure of exit charges to customers, which was announced in March 2016, remains open. Full ongoing support has been provided to the FCA to ensure all of its information requests are dealt with, of which there have been five separate requests to date. - The 1% exit fee cap on all pension products where the policyholder is over 55 was successfully implemented during the period.
GOVERNANCE	<ul style="list-style-type: none"> - Maintaining effective governance and a constructive relationship with regulators underpins the delivery of the division's strategic plans. - Ensuring that appropriate time and resources are dedicated to delivering robust governance processes provides management with a platform to deliver the other aspects of the business strategy. As a result a significant proportion of management's time and attention continues to be focused on ensuring that both the existing governance processes, coupled with future developments, are delivered. 	<ul style="list-style-type: none"> - Strong solvency position has been maintained throughout the period. - Solid delivery of outsourced services. - Delivered our inaugural Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR), reports required by Solvency II rules.

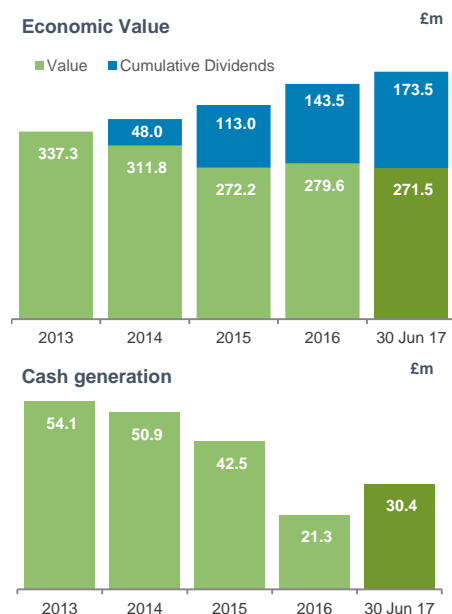
The UK division has continued to deliver against its core business objectives, namely delivering its customer strategy implementation plan, continuing to focus on capital management initiatives, and ensuring the business is governed well.

The division has delivered a healthy set of financial results in the period. Cash generation is strong, the solvency position remains robust and IFRS profits have continued to emerge ahead of plan.

FUTURE PRIORITIES

- Continue to identify, assess and subsequently deliver any appropriate actions associated with managing the solvency capital and valuation balance sheet of the division.

KPIs

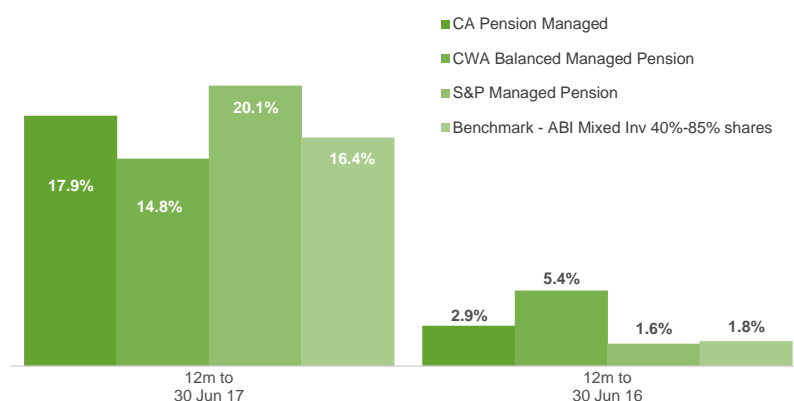


Healthy value growth, before the impact of dividends.

Cash generation of £30.4m exceeds prior year dividend Chesnara paid to shareholders.

- Continue to deliver the customer strategy implementation plan. This includes:
 - o An initial focus on reviewing our key customer communications to ensure in line with the most recent guidelines.
 - o Continued development and delivery of enhanced product review framework.
- Continue to support the FCA's investigation work into how exit and surrender charges have been disclosed to customers.
- Continue to deliver competitive fund performance.

Policyholder fund performance:



- Ensure we deliver our plans to meet the General Data Protection Regulation (GDPR) well within the timeframes of the regulatory deadline of 25 May 2018.
- Develop and start to deliver against implementation plans for "IFRS 17 Insurance Contracts", a new insurance accounting standard which was issued in May 2017 and has an effective date of 1 January 2021.

Divisional solvency ratio:

2017: 154% 30 Jun 2017

2016: 128% 31 Dec 2016

Movestic is currently the part of the Chesnara group which delivers most prominently against the core objective “Enhance value through profitable new business”. From its Stockholm base, Movestic operates as a challenger brand in the Swedish life insurance market. It offers transparent unit linked pension and savings solutions through brokers. Movestic is currently one of the most selected providers of advised occupational pension plans within the fund insurance segment in Sweden.

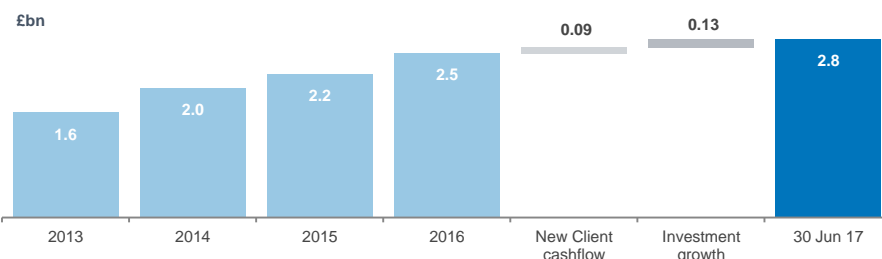
	BACKGROUND	INITIATIVES & PROGRESS IN 2017
MAXIMISE VALUE FROM EXISTING BUSINESS	CAPITAL & VALUE MANAGEMENT <ul style="list-style-type: none"> Movestic creates value predominantly by generating growth in the unit linked assets under management and by optimising the income that the assets generate, without compromising the fees incurred by policyholders. AuM growth is dependent upon positive client cash flows and positive investment performance. Capital surplus is a factor of both the value and capital requirements and hence surplus can also be optimised by effective management of capital. 	<ul style="list-style-type: none"> Favourable equity market performance and further positive policyholder cash flows contribute in broadly equal measure to a total AuM growth of 8.6%. Economic Value growth of 5.6% Increase to the solvency capital requirement (SCR), largely due to the impact of the positive growth in value. Optimising fee income by developing an investment fund (SICAV) which manages white label funds and Movestic funds. Improved life and health business loss ratios. Movestic management company, which operates out of Luxembourg, became fully operational during the period with a successful migration from the previous outsource provider.
	CUSTOMER OUTCOMES <ul style="list-style-type: none"> Movestic places great importance on providing quality service to both customers and brokers, with simple, clear unit linked products, supported by an attractive and broad investment fund range. The aim of Movestic is to offer policyholders the best funds and management services on the market. 	<ul style="list-style-type: none"> Fund range development including improved sustainability rating. Competitive unit linked fund returns.
	GOVERNANCE <ul style="list-style-type: none"> Movestic operates to exacting regulatory standards and adopts a robust approach to risk management. 	<ul style="list-style-type: none"> Full compliance with Solvency II reporting requirements. Deepened understanding and analysis of Solvency II dynamics. Inaugural Solvency II narrative reports.
ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS	PROFITABLE NEW BUSINESS <ul style="list-style-type: none"> As an “open” business, Movestic not only adds value from sales but as it gains scale, it will become increasingly cash generative which will fund further growth or contribute towards the group's dividend strategy. Movestic has a clear sales focus and targets a market share of 10 -15% of the advised occupational pension market. This focus ensures we are able to adopt a profitable pricing strategy. 	<ul style="list-style-type: none"> New business profits of £6.5m. Successful pricing strategy attracts increased levels of high value and higher margin transfer business. Market shares within target range. Increases in average gross margins.

Movestic has had a positive start to 2017. New business and recurring regular premiums have resulted in net positive client money inflows, which together with investment growth, has created a continued increase in AuM with a corresponding 5.6% increase in Economic Value. Despite an increase in capital requirements (as a direct consequence of the value growth) the absolute capital surplus has increased during the period.

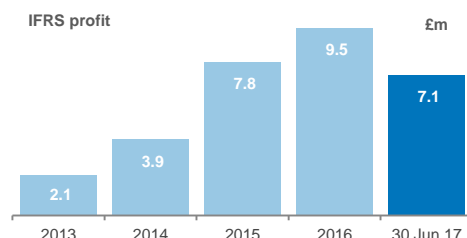
FUTURE PRIORITIES KPIs

- Continue to generate positive client cash flows by:
 - o maintaining lapse levels within valuation assumptions; and
 - o strategic pricing to maintain transfers-in to 2016 levels or above.
- Identify management actions to optimise the capital requirement.
- Provide a sustainable and predictable dividend to Chesnara plc.

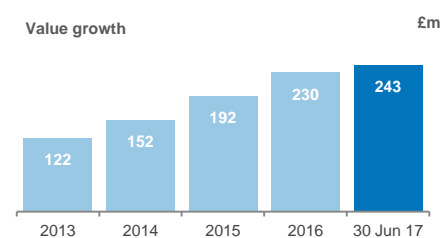
Growth in assets under management:



IFRS profit

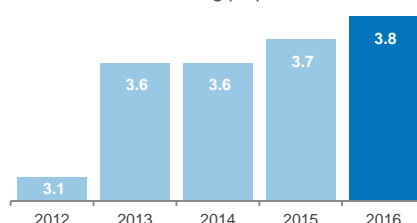


Value growth



- Fund range development in line with customer and market requirements.
- Deliver competitive unit linked fund returns.
- Consolidate the recent operational and fund performance improvements to maintain broker assessment ratings.

Broker assessment rating (0-5)



2016 Policyholder average investment return:

7.5%

(Swedish stock market 5.8%)

Note: Broker assessment and investment return KPIs are not available at half year.

- Continue to deepen the understanding of the Solvency II dynamics.
- Improved continuous solvency monitoring.
- Improve efficiency of regulatory reporting routines.

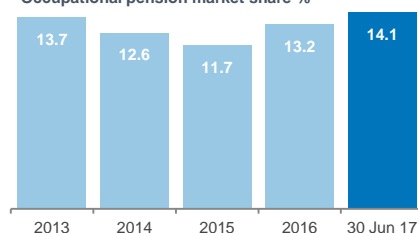
Divisional solvency ratio:

2017: 148% 30 Jun 2017

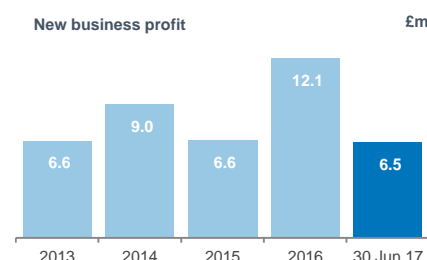
2016: 142% 31 Dec 2016

- Continue to write new business within our target range without any reductions in gross margins thereby delivering total profits at a similar level to 2016.

Occupational pension market share %



New business profit



The completion of the acquisition of Scildon N.V. (formerly known as Legal & General Netherlands) brings a “New business profit” dimension to the business model in the Netherlands. From Hilversum, the 33 year old company focuses on three product market combinations via brokers. Scildon is a well-established profitable player on the term market, the current market leader in unit-linked savings insurances with transparent products and is a challenger brand in the Dutch defined contribution pension insurance market. As a challenger, Scildon is assessed as the most preferred pension insurer by brokers in the SME-market.

	BACKGROUND	INITIATIVES & PROGRESS IN 2017
MAXIMISE VALUE FROM EXISTING BUSINESS	CAPITAL & VALUE MANAGEMENT <ul style="list-style-type: none"> - Both Waard and Scildon have a common aim to make capital available to the Chesnara group to fund further acquisitions or to contribute to the dividend funding. Whilst their aims are common the dynamics by which the businesses add value do differ: <ul style="list-style-type: none"> o Waard is in run-off and has the benefit that the capital requirements reduce in-line with the attrition of the book. o As an “open business” Scildon’s capital position does not benefit from book run-off. It therefore adds value and creates surplus capital through writing new business and by efficient operational management and capital optimisation. o Waard management assists Chesnara with regards to pursuing its acquisition strategy in the Netherlands. Successful acquisitions need to satisfy dual financial criteria being positive Economic Value impact and the creation of surplus capital and hence dividend potential. 	<ul style="list-style-type: none"> - Successful transfer of Hollands Welvaren Leven into Waard Leven. - Equity de-risk in Scildon post acquisition to reduce capital requirements and align the investment of shareholder funds to Chesnara’s policy and risk appetite. - Towards the end of 2016 the re-insurance structure was improved to reflect the positive effect of underwriting in the mortality result of Scildon. - During 2017 and beyond capital and value management should benefit from the recent removal of guarantees on new business, now focussing instead on growth in the UL market, without providing future guarantees.
	CUSTOMER OUTCOMES <ul style="list-style-type: none"> - Regardless of whether the customers are of the closed Waard Group or the Scildon business, which is open to new business, great importance is placed on providing customers with high quality service and positive outcomes. - Whilst the ultimate priority is the end customer, in Scildon we also see the brokers who distribute our products as being customers and hence developing processes to best support their needs is a key focus. 	<ul style="list-style-type: none"> - Scildon received awards for “Best occupational pension insurer” and “Best annuity insurer”. Scildon was rated in 2nd place for term insurance according to the broker organisation (Adfiz). - The annual performance research for consumers shows high scores. - Scildon replaced some non-performing funds.
	GOVERNANCE <ul style="list-style-type: none"> - The Waard Group and Scildon operate in a regulated environment and comply with rules and regulations both from a prudential and from a financial conduct point of view. 	<ul style="list-style-type: none"> - Waard and Scildon both successfully delivered their Solvency II narrative reports. This represented the final step of the transition to the Solvency II regime. - Aligning the Governance and Risk Management framework to Chesnara practices, including ORSA, RSR, SFCR and risk reporting. - The short term priority for Scildon has been the successful integration of statutory reporting routines to enable the production of the group’s Half Year Report. - Waard and Scildon ended the period with healthy solvency ratios of 533% and 240% respectively.
ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS	PROFITABLE NEW BUSINESS <ul style="list-style-type: none"> - The acquisition of Scildon has added a “New business” dimension to the Dutch business model. Scildon sell protection, individual savings and group pensions contracts via a broker-led distribution model. As with Movestic the aim is to deliver meaningful value growth from realistic market share. Having realistic aspirations regarding volumes means we are able to adopt a profitable pricing strategy. New business also helps the business maintain scale and hence contributes to unit cost management. 	<ul style="list-style-type: none"> - During the period there has been a modest recovery in new business profits with a half year profit of c£1.7m. - Market share for the core Protection business is towards the middle of our 5 – 10% range. - The business has been successfully rebranded to Scildon and the change of ownership of the company appears to have had no adverse impact on new business levels or broker support. - New business processes have been reviewed and the exercise has identified improvement opportunities which will be mutually beneficial to brokers, customers and new business profit levels.

The first half of 2017 has been positive for the Dutch businesses. The IFRS result includes a maiden contribution from Scildon, driven by developments in credit spreads and equity market growth. A good start has been made on integrating the reporting processes for Finance, Actuarial and Risk.

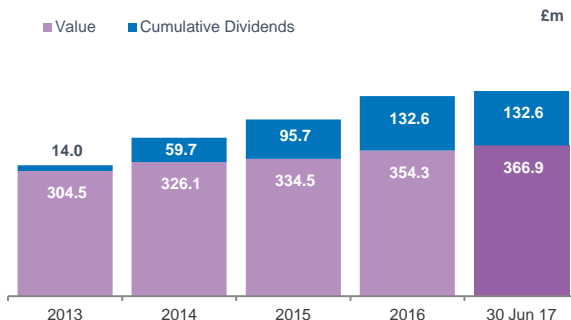
The growth in sales and assets, in combination with equity de-risking, contributed to an increase in Scildon's capital surplus. Waard's solvency ratio of 533% remains strong but has fallen during the period due to their part funding of the Scildon acquisition.

FUTURE PRIORITIES

KPIs

- Over a two year period the Dutch businesses plan to deliver efficiency improvements from a range of developments including:
 - o Identifying and delivering modest synergies between Waard and Scildon.
 - o Insourcing certain activities to reduce costs.
 - o Realising the benefits from an already well progressed IT system development in Scildon.
 - o Process and value for money improvements in Scildon such as increased levels of "straight through" processing.
 - o Continual assessment of the business model to ensure an optimal balance between returns generated versus the solvency capital requirements.

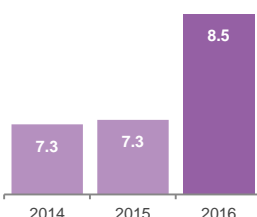
Scildon value growth



Scildon has a track record of delivering value growth enabling dividend distribution to the parent company

- Organise discussions with brokers to support the development of our processes in conjunction with their requirements.
- Perform a customer assessment and use the outcome to improve quality of service.
- Introduce chat-function on new website, improve navigation to documents and disclose more relevant information on-line
- Improve the brand recognition of Scildon.

Client satisfaction rating (0-10)



- The focus during the second half of the year and into 2018 is to fully align and integrate the governance routines such as the Risk Management Framework, Business planning, MI production and ensuring local processes conform to the Chesnara group Governance Map where appropriate.

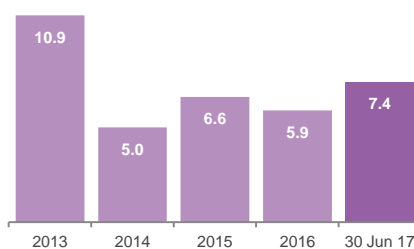
Divisional solvency ratio:

Scildon 2017: 240% 30 Jun 2017: 204% 31 Mar

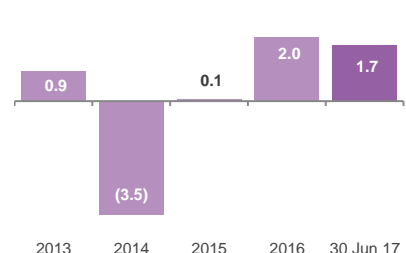
Waard 2017: 533% 30 Jun 2016: 712% 31 Dec

- Whilst the new business foundations are solid, management actions are planned over the next two years to generate a more commercially meaningful level of new business profit.
- The objective of the improvement programme is to move the market share for protection business towards the top end of the 5-10% target range.
- Whilst maintaining the focus on protection, Scildon plan to increase the assets under management for pension business and remain market leader in the small but growing unit linked market.

Scildon - Term assurance market share %



Scildon - New business profit



On 5 April 2017 we completed the acquisition of Legal & General Nederland (subsequently renamed Scildon).

The completion of Scildon, which had an economic value of €237.5m at the point of acquisition, results in the group having 40% of its Economic Value in the Netherlands.

The deal was funded by a combination of debt, equity and existing cash resources.

This acquisition represents the ongoing delivery of our acquisition strategy in the Netherlands, following the purchase of the Waard Group in 2015. We believe this deal leaves us with sufficient scale and presence to progress further value adding deals in the Dutch market.

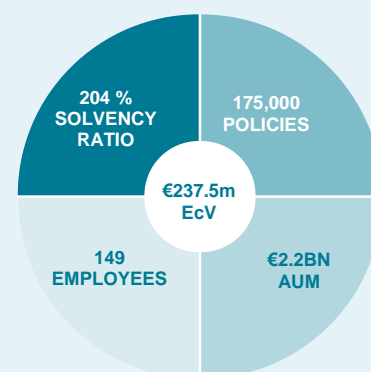
Highlights of Scildon acquisition:

- Completion purchase price of €161.2m
- Economic value of €237.5m at acquisition, representing a purchase price discount of 32%
- The impact of the acquisition, after taking account of the equity de-risk programme, is to increase the solvency surplus of the group by £4.7m
- Integration plans progressing well, with equity de-risk programme completed

Acquisition of Scildon

About Scildon:

- Scildon is a long established, award winning specialist insurer in the Netherlands.
- It has approximately 175,000 policies, predominantly individual protection and savings contracts and operates on a stand alone basis.
- It is open to new business and sells protection, individual savings and group pensions contracts via an broker led distribution model.
- Scildon is well-capitalised, with a solvency ratio of 204% at the point of acquisition. It applies the standard formula with no transitional measures.



Impact on the group:

CASH GENERATION	VALUE	CUSTOMER OUTCOMES	RISK APPETITE	POLICY NUMBERS	SOLVENCY	CAPITAL
<ul style="list-style-type: none"> - Cash generation is expected to emerge from the business post acquisition at levels which would more than cover incremental funding costs thereby creating a net positive impact on group cash. 	<ul style="list-style-type: none"> - Scildon was purchased at a 32% discount to its economic value, resulting in a day 1 gain of £65.4m. - This one off gain contributes materially to overall group EcV of £700.4m. - The Netherlands now makes up 40% of group EcV. 	<ul style="list-style-type: none"> - Continuity of Scildon's operating model will ensure existing high quality customer outcomes are not compromised. 	<ul style="list-style-type: none"> - The risks associated with Scildon align with the appetite of the Chesnara group following the equity de-risk activity. - Our integration plans include bringing Scildon within the group's risk management framework. 	<ul style="list-style-type: none"> - Additional policies of 175,000 results in the group now managing a policy base of over 1 million, of which 26% are in the Netherlands. 	<ul style="list-style-type: none"> - The acquisition has given rise to an increase in the absolute level of group capital above its capital requirements, after taking account of the planned equity de-risk programme. - The group remains well capitalised, with a solvency ratio of 143%, with a surplus of £181.9m. 	<ul style="list-style-type: none"> - The deal was financed through £66.7m of equity after costs, £49.0m of incremental debt and £21.9m of Chesnara's own cash. - Our group gearing ratio of 23.7% remains well within our risk appetite. - Further equity raising capacity is expected to be available for future deals.

Acquisition of Scildon (continued)

Post acquisition integration:

A post acquisition integration plan is in the process of being delivered, and has progressed in line with expectations. In particular:

- On 11 April 2017 the Scildon brand was launched, replacing the previous name of Legal and General Nederland.
- The acquisition business case assumed that the investment management strategy of Scildon would be aligned with the existing Chesnara group, and consequently a number of indirect equity holdings were sold post acquisition, as planned. This has resulted in a reduction in the level of market risk capital required to be held, thus improving the solvency position of both Scildon and the group.
- The alignment of financial reporting processes has progressed as planned. Some further alignment of finance processes will continue to be delivered over the course of the year.
- Our integration plans include aligning risk and governance processes of Scildon with the group framework. This has progressed in line with plans, with further integration work expected to be delivered during the remainder of the year.
- Ongoing review with local management is underway to deliver process and value for money enhancements over the next two years.

Acquisition outlook

The successful completion of the Scildon acquisition contributed positively to the acquisition outlook due to increased scale and presence in the Netherlands, and we are well-positioned to take advantage of any future acquisition opportunities.

From a UK perspective we have seen a gradual increase in closed book market activity which, in our view, is driven in part by reduced uncertainty regarding Solvency II and regulatory developments.

The environment in which European life insurance companies operate continues to increase in complexity. In particular, in May 2017 "IFRS 17 Insurance Contracts" was issued, which is a fundamental overhaul of the way in which insurance contracts are accounted for under international accounting rules. We believe this contributes to the factors that exist that will drive further consolidation, namely larger financial organisations wishing to re-focus on core activities and remove operating complexities, and the desire to release capital or generate funds from potentially capital intensive life and pension businesses.

Chesnara is a well-established life and pensions consolidator with a proven track record. This, together with a good network of contacts in the adviser community, who understand the Chesnara acquisition model and are mindful of our track record and good reputation with our regulators, ensures we are aware of most viable opportunities in the UK and Western Europe.

Our financial foundations are strong, we have a proven and stringent acquisition assessment model, and we continue to have strong support from shareholders and lending institutions to progress our acquisition strategy. In addition, our operating model which consists of well established outsource arrangements plus efficient, modern in-house solutions, means we have the flexibility to accommodate a wide range of potential target books. With all the above in mind, we are confident that we are well positioned to continue the successful acquisition track record in the future.

CAPITAL MANAGEMENT | SOLVENCY II

WHAT IS SOLVENCY AND CAPITAL SURPLUS?

- Solvency is a measure of how much the value of the company exceeds the level of capital it is required to hold.
- The value of the company is referred to as its “own funds” (OF) and this is measured in accordance with the rules of the Solvency II regime.
- The capital requirement is again defined by Solvency II rules and the primary requirement is referred to as the Solvency Capital Requirement (SCR).
- Solvency is expressed as either a ratio: **OF/SCR %** or as an absolute surplus **OF less SCR**

SOLVENCY
SURPLUS



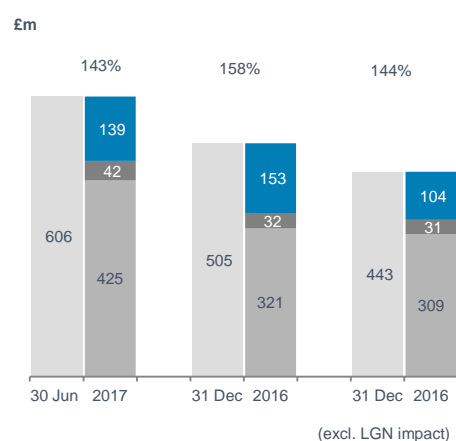
CASH
GENERATION

Subject to ensuring other constraints are managed, surplus capital is a useful proxy measure for liquid resources available to fund matters such as dividends, acquisitions or business investment. As such Chesnara defines cash generation as the movement in surplus, above management buffers, during the period.

GROUP SOLVENCY AT 30 JUNE 2017

Group solvency remains strong and the impact of the Scildon acquisition, after taking into account the equity de-risking programme, has had a positive impact. During the period all divisions have contributed positively to the absolute levels of surplus capital available.

Solvency position



Analysis

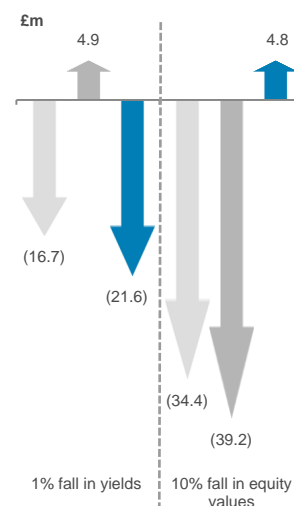
Surplus: The group remains well capitalised at 143%, equating to an absolute level of surplus own funds above SCR of £181.9m. Removing the impact of the equity raise, which relates to the Scildon acquisition, the closing solvency surplus has increased by £47.3m. Further detail on the solvency surplus movement has been provided in the graph below.

Dividends: The solvency position is stated after deducting £10.5m proposed dividend (31 December 2016: £19.0m).

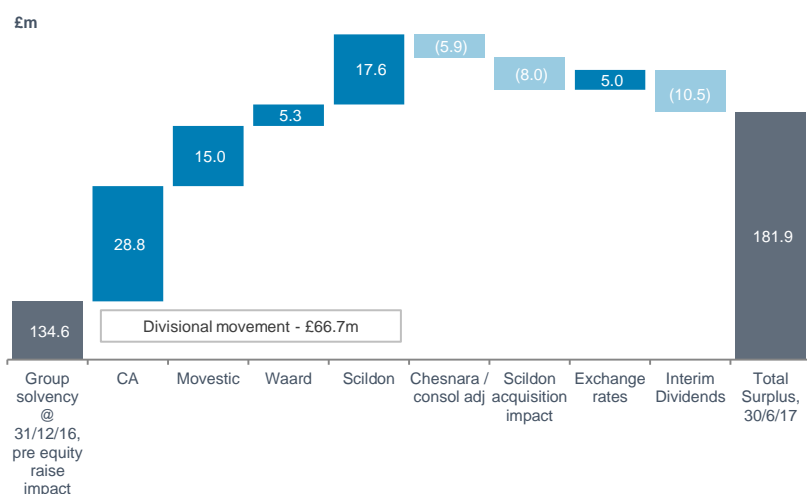
Own funds: Own funds have increased by £111.6m, before the impact of the interim dividend. This includes underlying own funds growth across the divisions and holding company of £57.6m, coupled with a net increase in own funds of £54.0m arising on completion of the Scildon acquisition, representing the difference between the purchase price of £137.6m and the own funds acquired of £191.6m.

SCR: The group's underlying SCR, before the impact of the Scildon acquisition, has reduced by £8.3m. The Scildon acquisition has, as expected, resulted in a large increase in the group's SCR of £112.2m. This is made up of the underlying Scildon SCR of £93.0m coupled with an increase in additional group SCR of £19.2m.

Sensitivities



Solvency surplus movement



The graph to the left provides some further analysis of how the solvency surplus has developed over the first half of the year. To provide an end to end impact of the Scildon acquisition, the starting point reflects the solvency position of the group at the start of the year before the impact of the equity that was raised in November 2016 to fund the acquisition.

- All divisions have contributed positively to the level of solvency surplus available.
- The graph shows that the Scildon acquisition has reduced the solvency surplus available at a group level by £8.0m. This was expected and does not include the impact of the equity de-risking, which was delivered post acquisition. Adjusting for this, the “day 1” impact of the Scildon acquisition has resulted a small positive contribution to the overall group solvency position by £4.7m.
- The overall closing surplus of £181.9m includes the impact of the £10.5m interim dividend, due to be paid in October 2017.

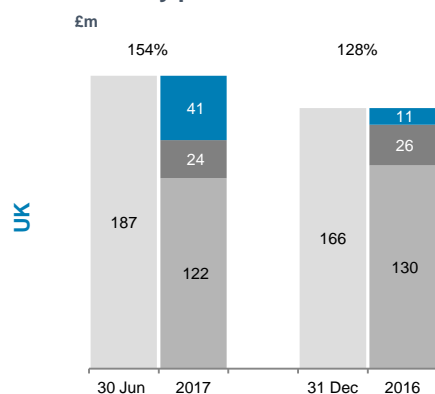
CAPITAL MANAGEMENT | SOLVENCY II

Managing the group and subsidiaries' capital positions appropriately is a critical part of ensuring we remain true to the group's culture and values.

We are well capitalised at both a group and subsidiary level, and we have not used any elements of the long term guarantee package.

Note: 31 Dec 2016 figures restated in the charts at 30 Jun 17 exchange rates for comparison

Solvency position



Analysis

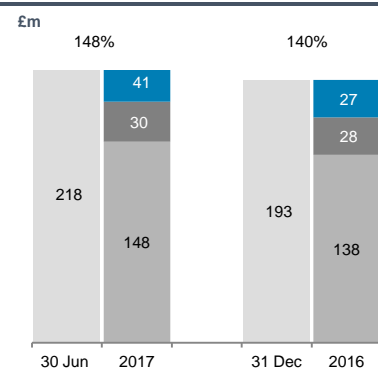
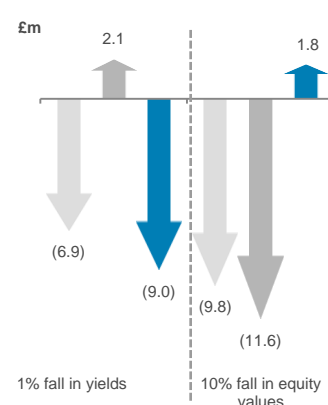
Surplus: £65m above regulatory requirements and £41m above board's capital management policy.

Dividends: Dividend of £30m was paid to Chesnara in May 2017.

Own funds: Positive growth driven by a transfer of £9m out of the with profit funds, a reduction in the with profit cost of guarantees and an increase in the spread of swap yields over gilt yields and positive equity growth.

SCR: Reduction of £8m driven by a reduction in spread risk due to investment portfolio changes and a reduction in counterparty default risk owing to a change in the assumed likelihood of reinsurer default, offset by an increase in equity risk due to equity growth.

Sensitivities

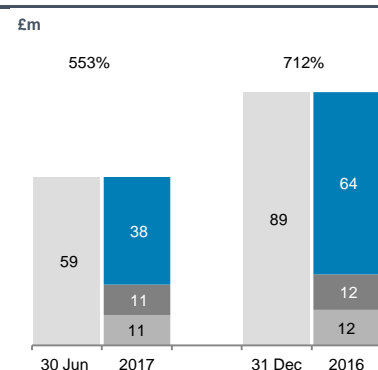
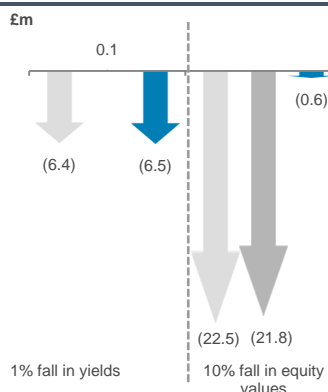


Surplus: £71m above regulatory requirements and £41m above board's capital management policy.

Dividends: Dividend of £2.7m was paid to Chesnara in June 2017.

Own funds: Growth largely driven by positive economic experience due to positive equity markets coupled with positive operating experience on in force policies, offset by the negative impact of lowering the assumption for future expected charge income on certain investment funds.

SCR: Increase of £12m is largely due to increased market risk capital being held due to strong investment growth in year increasing the risk on equities, corporate bonds and foreign currencies.

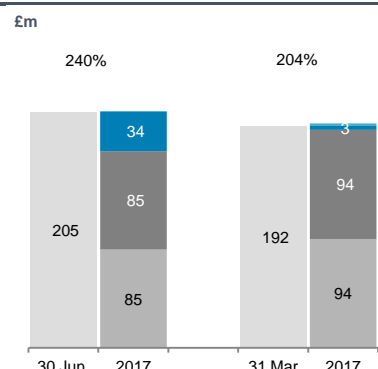
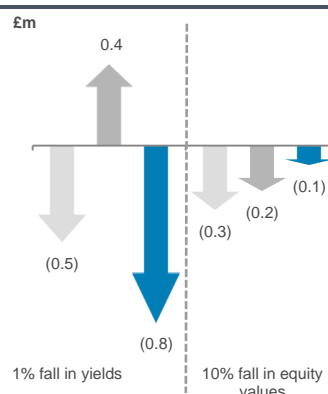


Surplus: £49m above regulatory requirements and £38m above board's capital management policy.

Dividends: A dividend of £32m was paid in April 2017 by the insurance companies within the division to the Dutch holding company and then subsequently used to part-fund the acquisition of LGN.

Own funds: Reduction driven by the dividend of £32m, offset by modest economic variances, positive operating mortality experience and the positive impact of changing mortality assumptions in the modelling.

SCR: Reduction of £2m over the period is primarily due to a fall in counterparty default risk from a reduction in cash at bank following the £32m transfer to part-fund the acquisition of LGN.

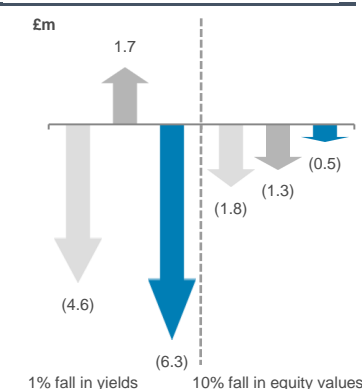


Surplus: £119m above regulatory requirements and £34m above board's capital management policy.

Dividends: No dividends have been paid in the post acquisition period.

Own funds: Increase since acquisition driven by positive economic experience, including the weakening of sterling relative to the Euro, offset by the negative impact of a change in the assessment of persistency and mortality risk leading to an increase in the risk margin.

SCR: Reduction of £9m due to a substantial reduction in equity risk owing to a sale of equities in the division, partially offset by an increase in spread risk and counterparty default risk following reinvestment of proceeds from the equity sale.



Key:

Own Funds (post Div) SCR Buffer Surplus

FINANCIAL REVIEW

The key performance indicators below are a reflection of how we have performed in delivering our three strategic objectives and our core culture and values. The first half results of 2017 are dominated by the impact of the completion of the acquisition of Scildon. Looking through this impact, all divisions have performed well across all financial metrics, resulting in a closing EcV of over £700m.

These two pages provide a “snapshot” of our key financial measures and some insight into what’s driving the outcome in the period.



PRE-TAX PROFIT:

£51.6M 30 JUNE 2016: £0.2M

What is it?

The presentation of the results in accordance with International Financial Reporting Standards (IFRS) aims to recognise the profit arising from the longer term insurance and investment contracts over the life of the policy.

Why is it important?

IFRS profit is an indicator of the value that has been generated within the long-term insurance funds of the divisions within the group, and is a key measure used both internally and by our external stakeholders in assessing the performance of the business. IFRS profit is an indicator of how we are performing against our stated strategic objective of “maximising value from the existing business” and can also be impacted by one-off gains arising from delivering against our stated objective of “acquiring life and pensions businesses”.

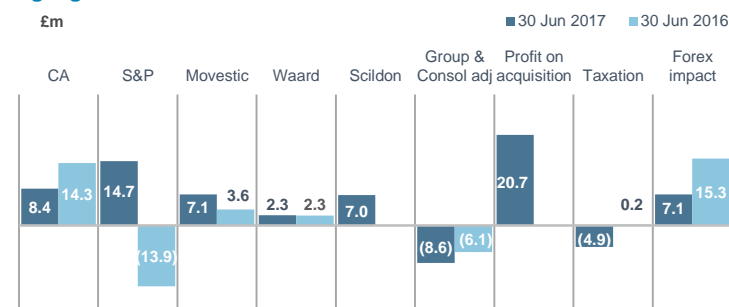
Risks

The IFRS profit can be affected by a number of our principal risks and uncertainties as set out on pages 28 to 29. In particular, volatility in equity markets and bond yields can result in volatility in the IFRS pre-tax profit, and foreign currency fluctuations can affect total comprehensive income.

TOTAL COMPREHENSIVE INCOME:

£53.8M 30 JUNE 2016: £15.7M

Highlights



- Strong pre-tax results across all segments.
- IFRS pre-tax profit of £51.6m significantly ahead of prior year (2016: £0.2m). The underlying performance is supported by a one off gain of £20.7m relating to the acquisition of Legal and General Nederland.
- All territories have delivered results ahead of 2016, supported by positive equity markets during the first half of the year.
- Total comprehensive income includes a foreign exchange gain of £7.1m (2016: £15.2m) relating to sterling’s depreciation against both the euro and Swedish krona.

CASH GENERATION

GROUP CASH GENERATION

£46.2M* 30 JUNE 2016: £13.6M

What is it?

Cash generation is a measure of how much distributable cash has been generated in the period. Cash generation is driven by the change in solvency surplus in the period, taking into account board-approved capital management policies.

Why is it important?

Cash generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara’s dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of “maximising value from the existing business”. However, our cash generation is always managed in the context of our stated value of maintaining strong solvency positions within the regulated entities of the group.

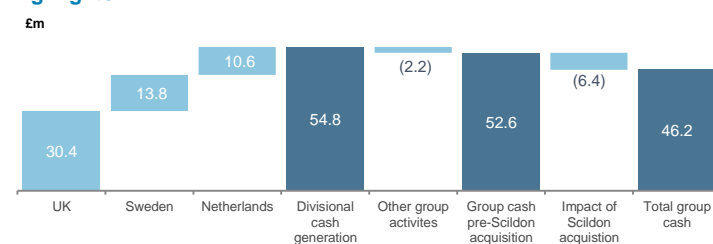
Risks

The ability of the underlying regulated subsidiaries within the group to generate cash is affected by a number of our principal risks and uncertainties as set out on pages 28 to 29. Whilst cash generation is a function of the regulatory surplus, as opposed to the IFRS surplus, they are impacted by similar drivers, and therefore factors such as yields on fixed interest securities and equity and property performance contribute significantly to the level of cash generation within the group.

DIVISIONAL CASH GENERATION

£54.8M 30 JUNE 2016: £9.8M

Highlights



Divisional cash

- Significant cash contributions from all divisions in the first half of the year.
- UK cash generation underpins the result, with favourable movements in both own funds and capital requirements.
- Positive economic experience, primarily equity markets, have driven the growth in own funds and ultimately cash generation in Sweden and the Netherlands.

Total cash generation

- At group level, the impact of the outflow of funds utilised in facilitating the purchase of Scildon, and the addition of the associated capital requirement on completion, have resulted in a negative cash generation for the period.

* Includes the end to end impact of the Scildon acquisition

Further detail on page 24

Further detail on page 25



ECONOMIC VALUE (EcV)

£700.4M

30 JUNE 2016: £459.9M

What is it?

Economic value (EcV) was introduced in 2016 by Chesnara as a replacement metric for European Embedded Value. This was introduced following the introduction of Solvency II at the start of 2016 with EcV being derived from Solvency II own funds. Conceptually EcV is broadly similar to EEV in that both reflect a market-consistent assessment of the value of existing insurance business, plus adjusted net asset value of the non-insurance business within the group.

Why is it important?

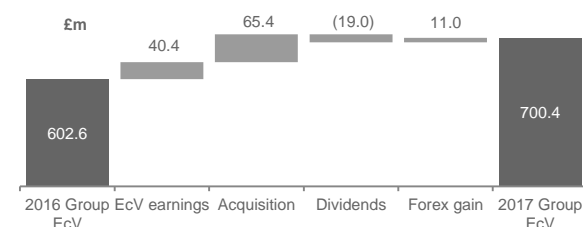
EcV aims to reflect the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess Chesnara's intrinsic value. A life and pensions group may typically be characterised as trading at a discount or premium to its economic value. Analysis of EcV provides additional insight into the development of the business over time.

The EcV development of the Chesnara group over time can be a strong indicator of how we have delivered to our strategic objectives, in particular the value created from acquiring life and pensions businesses and enhancing our value through writing profitable new business. It ignores the potential of new business to be written in the future (the franchise value of our Movestic and Scildon businesses) and the value of the company's ability to acquire further businesses.

Risks

The economic value of the group is affected by economic factors such as equity and property markets and yields on fixed interest securities. In addition to this, whilst the other KPIs (which are all "performance measures") remain relatively insensitive to exchange rate movements, the EcV position of the group can be materially affected by exchange rate fluctuations. For example a 10.0% weakening of the Swedish krona and euro against sterling would reduce the EcV of the group by 3.1% and 3.6% respectively, based on the composition of the group's EcV at 30 June 2017.

Highlights



- Economic value at the end of June exceeds £700m for the first time, having increased by £98m since the start of the year.
- Strong underlying earnings achieved in the period of £40m.
- Total growth includes the gain delivered upon the acquisition of Scildon.
- Foreign exchange gains also contribute to the overall growth, offset by the payment of the final dividend in relation to 2016.
- Pre tax EcV earnings of £105.8m in the first half of the year, driven by a combination of strong underlying economic earnings supported by the substantial gain realised on the acquisition of Legal & General Nederland in April



ECV EARNINGS NET OF TAX

£105.8M

30 JUNE 2016: £(3.5)M

What is it?

In recognition of the longer-term nature of the group's insurance and investment contracts, supplementary information is presented that provides information on the economic value of our business.

The principal underlying components of the economic value result are:

- The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force).
- Value added by the writing of new business.
- Variations in actual experience from that assumed in the opening valuation.
- The impact of restating assumptions underlying the determination of expected cash flows.
- The impact of acquisitions.

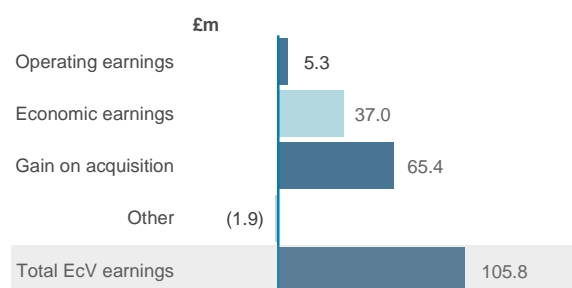
Why is it important?

By recognising the market-related value of in-force business (in-force value), a different perspective is provided in the performance of the group and on the valuation of the business. Economic value earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The economic value earnings of the group can be a strong indicator of how we have delivered against all three of our core strategic objectives. This includes new business profits generated from writing profitable new business, economic value profit emergence from our existing businesses, and the economic value impact of acquisitions.

Risks

The EcV earnings of the group can be affected by a number of factors, including those highlighted within our principal risks and uncertainties as set out on pages 28 to 29. In addition to the factors that affect the IFRS pre-tax profit and cash generation of the group, the EcV earnings can be more sensitive to other factors such as the expense base and persistency assumptions. This is primarily due to the fact that assumption changes in EcV affect our long-term view of the future cash flows arising from our books of business.

Highlights



- Pre tax EcV earnings of £105.8m in the first half of the year, driven by a combination of strong underlying economic earnings supported by the substantial gain realised on the acquisition of LGN in April.
- Operating results were adversely affected by two non-recurring items. The expense assumptions now include the impact of the LGN acquisition on group overheads and we have made provision to adopt a more attractive pricing strategy in Movestic which has resulted in lower assumed fees on certain white label funds. Underlying operating profits include new business profits of £7.1m and are in line with expectations.
- Economic earnings primarily driven by strong equity market performance across Europe in the period.



Executive summary

The group IFRS results reflect the natural dynamics of the segments of the group, which can be characterised in three major components:

(1) Stable core: At the heart of surplus, and hence cash generation, are the CA and Waard group segments. The requirements of these books are to provide a predictable and stable platform for the financial model and dividend strategy. As closed books, the key is to sustain this income source as effectively as possible. The IFRS results below show that, despite some period on period movements, the long term trend of material positive results indicates that the stable core continues to deliver against these requirements.

IFRS results

The financial dynamics of Chesnara, as described above, are reflected in the following IFRS results:

	Unaudited 6 months ended		Year ended	Note
	30 Jun 17 £m	30 Jun 16 £m	31 Dec 16 £m	
CA	8.4	14.3	28.4	1
S&P	14.7	(13.9)	14.3	2
Movestic	7.1	3.6	8.7	3
Waard Group	2.3	2.3	6.2	4
Scildon	7.0	-	-	5
Chesnara	(6.6)	(2.9)	(9.7)	6
Consolidation adjustments	(2.0)	(3.2)	(7.2)	7
Profit before tax and profit on acquisition	30.9	0.2	40.7	
Profit on acquisition of Scildon	20.7	-	-	5
Profit before tax	51.6	0.2	40.7	
Tax	(4.9)	0.2	(5.4)	
Profit after tax	46.7	0.4	35.3	
Foreign exchange	7.1	15.3	20.1	8
Total comprehensive income	53.8	15.7	55.4	

Note 1: The CA segment continues to deliver material and stable IFRS profits in line with plans. Prior year result benefitted from significant increases in bond values.

Note 2: The S&P segment has reported an increase in profits on the prior year. Positive economic profits of c£12m arise from the net impact of positive equity markets.

Note 3: Movestic has continued to generate strong results in the period, principally driven by strong growth in assets under management and increased fund performance fee income generation.

Note 4: The Waard Group has reported a profit which is slightly improved from the prior year and in line with profit generation expectations. The mortgage portfolio acquired in 2016 continues to generate favourable returns.

Note 5: The Scildon result represents profit generation for the three months from the date of acquisition and is broadly in line with expectations. The profit arising from the acquisition represents the difference between the value of the net assets acquired (post acquisition accounting fair value adjustments) and the purchase consideration paid. Scildon's IFRS reserving basis, whilst technically compliant, does not align to the Chesnara reserving approach. Scildon's current book reserving approach creates a level of volatility which is greater than commercial reality. In light of this, we plan to align Scildon's IFRS reserving policy during the second half of 2017. We do not anticipate that this change in reserving methodology will materially alter the reported profit arising on acquisition.

Note 6: The Chesnara result represents holding company expenses. The year to date loss includes a foreign currency re-translation loss of c£1.8m in respect of the euro denominated loan facility taken out in the year, to part fund the Scildon acquisition. The result also reflects increased financing costs of c£0.8m due to the higher level of bank debt carried in the period.

Note 7: Consolidation adjustments relate to items such as the amortisation of intangible assets. The current year figures reflect the introduction of adjustments relating to the Scildon acquisition.

(2) Variable element: The S&P component within the UK division can bring an element of short-term earnings volatility to the group, with the results being particularly sensitive to investment market movements. Hence the split of the UK division results showing S&P separately is shown below.

(3) Growth operation: The long-term financial model of Movestic is based on growth, with levels of new business and premiums from existing business being targeted to more than offset the impact of policy attrition, leading to a general increase in assets under management and, hence, management fee income.

	Unaudited 6 months ended		Year ended	Note
	30 Jun 17 £m	30 Jun 16 £m	31 Dec 16 £m	
Operating profit	16.6	9.5	34.9	9
Economic profit	14.3	(9.3)	5.8	10
Profit before tax and profit on acquisition	30.9	0.2	40.7	
Profit on acquisition of Scildon	20.7	-	-	5
Profit before tax	51.6	0.2	40.7	
Tax	(4.9)	0.2	(5.4)	
Profit after tax	46.7	0.4	35.3	
Foreign exchange translation differences	7.1	15.3	20.1	8
Total comprehensive income	53.8	15.7	55.4	

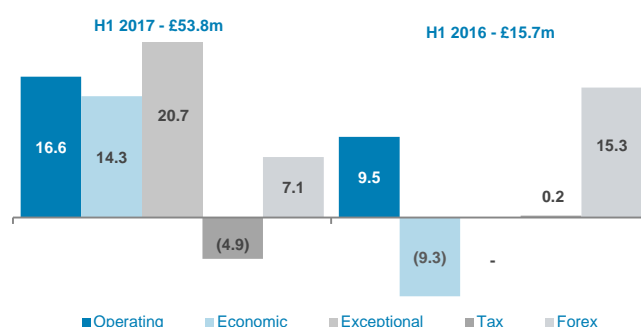
Note 8: As a result of sterling weakening against both the euro and Swedish krona in the period the IFRS result includes a large foreign exchange gain.

Note 9: The operating result demonstrates the strength and stability of the underlying business, driving the generation of profit. Product based income and favourable movements in operating experience, offset by assumption changes, specifically expenses, have supported performance in the UK. Strong fund performance growth contributes to the Movestic operating result, whilst the Waard result continues to benefit from the investment in its mortgage portfolio. The introduction of Scildon as a source of profit generation adds further strength to the underlying business model.

Note 10: Economic profit represents the components of the earnings that are directly driven by movements in economic variables, e.g. the impact of yield movements on the cost of guarantees reserves. During 2017 the economic profit is generally driven by the net impact of positive equity markets, offset by falling bond yields in the year.

Note: Movestic, Waard Group and Scildon economic surplus is not readily determinable. While there is an element of movement due to economic conditions, they are immaterial in comparison to non-economic items, therefore all surplus is treated as derived from operating activities.

Analysis of IFRS total comprehensive income (£m)



The three territories have generated £54.8m cash in the period, with all four businesses making positive contributions to the cash generation.

Cash in the business is generated from increases in the group's surplus funds. Surplus funds represent the excess of assets held over management's internal capital needs, as in the capital management policies across the group. These are based on regulatory capital requirements, with the inclusion of additional "management buffers".

HIGHLIGHTS:**GROUP**

- Before taking into account the impact of the acquisition of Scildon, cash has been generated across the group, with total cash generation in the period of £52.6m. As highlighted in the divisional commentary below, this includes the positive impact of some non-recurring management actions in the period amounting to £16.0m.
- Other group activities also reflected the residual group expenses and the impact of consolidation routines, specifically movements in capital requirements determined at a group level.
- From a capital requirement perspective, this is driven by movements in required capital at a Chesnara holding company level coupled with consolidation adjustments. At a Chesnara holding company level capital is principally required to be held for the currency risk associated with the Movestic, Scildon and Waard Group surplus assets.
- The end to end impact of the acquisition of Legal & General Nederland is to reduce surplus cash by £6.4m. This was in line with expectations. The £6.4m cash reduction consists of an increase in own funds of £116.2m (£62.1m of equity raised and deal costs; £191.6m of own funds acquired; less purchase price of £137.6m) offset by an increase in capital requirement of £122.6m (£88.4m of capital required in Scildon itself, including management group buffer, plus additional capital at group level of £34.3m). The £88.4m of capital required for Scildon includes the positive impact of the equity de-risk in the period, which amounted to £12.7m.

30 June 2017 (£m)		Movement in own funds	Movement in management's capital requirement	Forex impact	Cash generated
UK		20.7	9.7	-	30.4
Sweden		24.4	(11.3)	0.7	13.8
Netherlands	Waard Group	3.6	3.5	0.3	7.4
	Scildon	7.2	(4.9)	0.9	3.2
Divisional cash		55.9	(3.0)	1.9	54.8
Other group activities		(8.7)	6.5	-	(2.2)
Group cash pre- Scildon acquisition		47.2	3.5	1.9	52.6
Impact of Scildon acquisition		116.2	(122.6)	-	(6.4)
Total group cash		163.4	(119.1)	1.9	46.2

UK

- The UK continues to generate significant levels of cash to support the dividend payment.
- Own funds growth is the main driver of cash generation in the UK, which has benefitted from a reduction in the cost of guarantees
- There has also been a reduction in required capital due to changes in investment portfolio and reduced counterparty default risk.
- Cash generation includes the benefit of a £9.0m release of previously trapped surplus from the with profit funds.

SWEDEN

- Sweden had a positive cash generation in the period of £13.8m primarily due to own funds growth.
- Own funds have benefitted from growth in equity markets during the period.
- Growth in equity has also had an adverse impact on the level of capital the business is required to hold, driving the increase in management capital requirement.
- Cash generation includes a one off benefit of enhancing our modelling for commission clawbacks amounting to £7.0m.

NETHERLANDS – WAARD GROUP

- The Waard Group has continued the solid cash generation witnessed in the prior year with positive underlying movements in both own funds and capital requirements.
- Movement in own funds was driven by mortality experience and assumption changes.
- Fall in counterparty default risk underpins the reduction in the capital requirement.

NETHERLANDS – SCILDON

- Scildon has reported positive cash generation of £3.2m in the three months since the acquisition of the business.
- Positive economic experience, including euro exchange gains against sterling, support increase in own funds.



Driven by generally beneficial investment markets in the first half of the year, with sterling depreciation and volatile yet growing equity markets, the group has reported significant underlying EcV earnings, reflecting the resilience and diversity of the business. This performance and the acquisition of Legal & General Nederland have delivered comprehensive EcV earnings for the period.

Analysis of the EcV result in the period by earnings source:

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	Note
Expected movement in period	11.7	4.3	6.0	
New business	7.1	4.0	11.9	
Operating variances	4.4	3.2	22.7	
Operating assumption changes	(17.9)	(8.5)	0.6	2
Other operating variances	-	(3.2)	(7.3)	
Total operating earnings	5.3	(0.2)	33.9	
Economic experience variances	29.0	34.2	77.9	1
Economic assumption changes	7.6	(39.7)	(38.3)	
Total economic earnings	36.6	(5.5)	39.6	
Other non-operating variances	5.0	(4.1)	(3.0)	
Gain on acquisition	65.4	-	-	
Tax	(6.5)	6.3	2.0	
Total EcV earnings	105.8	(3.5)	72.5	

Analysis of the EcV result in the year by business segment:

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	Note
UK	26.2	(5.5)	42.2	3
Sweden	15.8	(3.8)	30.8	4
Netherlands	14.8	0.6	5.9	5
Gain on acquisition	65.4	-	-	
Group and group adjustments	(9.9)	(1.1)	(8.4)	6
EcV earnings before tax	112.3	(9.8)	70.5	
Tax	(6.5)	6.3	2.0	7
EcV earnings after tax	105.8	(3.5)	72.5	

Note 1 – Economic conditions: As with our previously reported EEV metric, the EcV result is sensitive to investment market conditions. Key investment market conditions in the period are as follows:

- The FTSE All share index has increased by 3.3%;
- The Swedish OMX all share index has increased by 7.2%; and
- 10 year UK gilt yields remain at 1.28%.

Note 2 – Operating assumptions: Provision has been made to adopt a slightly more attractive pricing strategy on certain white label funds in Movestic should the business model benefit from such a change and the expense assumptions now include the impact of the LGN acquisition on group overheads.

Note 3 – UK: The UK reported strong pre tax earnings of £26.2m for the period. The result was mainly driven by Economic profits of £15.9m which was the result of positive equity market growth.

Note 4 – Sweden: The Swedish division has also reported a strong EcV movement in the year. Operating earnings were underpinned by strong new business performance, which generated positive earnings of £6.5m owing to transfer in volumes and increased average policy premiums. These new business earnings are offset by the negative effect of assuming a more attractive pricing strategy on certain white label funds. An economic profit of £13.9m was also reported, driven by improving equity markets in the first half of the year.

Note 5 – Netherlands: The Dutch division has reported earnings of £14.8m in the period. This is primarily all economic earnings within the newly acquired Scildon supported investment returns.

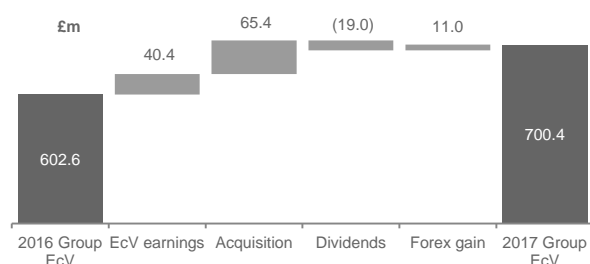
Note 6 – Group: A loss has been reported in the group component. This includes the impact of a foreign exchange loss incurred in relation to a Euro denominated loan taken out for the LGN acquisition, increased loan financing costs and also underlying group level expenses and consolidation activities.

Note 7 – Tax: The business is reporting a tax expense of £6.5m in the period. This is driven by a combination of current tax on the profit in the period and movements in deferred tax relating to group level activities.



The economic value of Chesnara represents the present value of future profits of the existing insurance business, plus the adjusted net asset value of the non-insurance business within the group. EcV is an important reference point by which to assess Chesnara's intrinsic value.

Value movement: 1 Jan 2017 to 30 Jun 2017



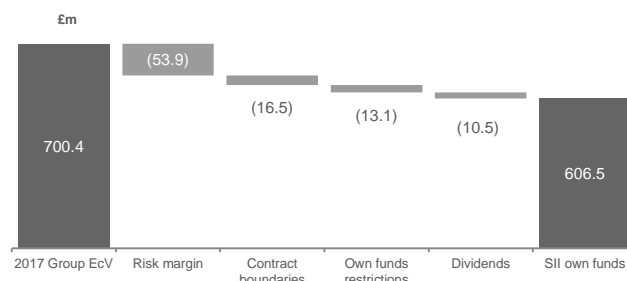
EcV earnings: Strong EcV earnings have been reported in the year to date, a result of strong operating profits and positive economic profits, driven by equity market growth.

Acquisition: In April 2017 the group successfully completed the purchase of LGN, delivering an underlying £65m economic value gain on acquisition upon day one. This is reflected in the group closing EcV at the end of June.

Dividends: Under EcV, dividends are recognised in the period in which they are paid. Dividends of £19.0m were paid during the 2017, being the final dividend from 2016.

FX gain: The EcV of the group benefited from foreign exchange gains that were reported in the period as a result of sterling depreciation against both the euro and Swedish krona.

EcV to Solvency II



Our reported EcV is based on a Solvency II assessment of the value of the business, but adjusted for certain items where it is deemed that Solvency II does not reflect the commercial value of the business. The above waterfall shows the key difference between EcV and SII, with explanations for each item below.

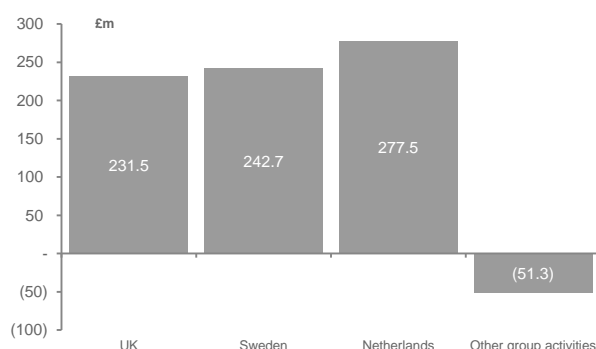
Risk margin: Solvency II rules require a significant 'risk margin' which is held on the Solvency II balance sheet as a liability, and this is considered to be materially above a realistic cost. We therefore reduce this margin for risk for EcV valuation purposes from being based on a 6% cost of capital to a 3% cost of capital.

Contract boundaries: Solvency II rules do not allow for the recognition of future cash flows on certain in-force contracts, despite the high probability of receipt. We therefore make an adjustment to reflect the realistic value of the cash flows under EcV.

Ring-fenced fund restrictions: Solvency II rules require a restriction to be placed on the value of certain ring-fenced funds. These restrictions are reversed for EcV valuation purposes as they are deemed to be temporary in nature.

Dividends: The proposed interim dividend of £10.5m is recognised for SII regulatory reporting purposes. It is not recognised within EcV until it is actually paid.

EcV by segment at 30 Jun 2017



The above graph shows that the EcV of the group is diversified across its different markets, demonstrating that we are well-balanced and not over-exposed to one particular geographic market.

Replacement of EEV

During 2016 we replaced the previous group valuation metric, European Embedded Value, with a new metric, economic value (EcV). This has been introduced to align our valuation metric with Solvency II, with EcV being derived from the Solvency II balance sheet.

As expected, the new valuation metric gives a broadly similar value of the Chesnara plc group. At 31 December 2015 our previously reported EEV was £455.2m, compared with an opening EcV for 2016 of £453.4m.

Our Embedded Value figures have historically been subject to an external audit opinion addressed to the directors of Chesnara plc. This reflected the significance of the Embedded Value figures and was consistent with industry best practice.

The Economic Value figures are at this stage not subject to audit opinion other than to the extent the general audit opinion of the Financial Statements considers their consistency with the Financial Statements.

The annual external audit requirements cover Solvency II disclosures and as such given the Economic Value figures are derived from the Solvency II balance sheet the Economic Value figures benefit from a degree of external audit comfort.

Managing risk is a key part of our business model. We achieve this by understanding the current and emerging risks to the business, mitigating them where appropriate and ensuring they are appropriately monitored and managed at all times.

Chesnara adopts the “three lines of defence” model across the group taking into account size, nature and complexity, with a single set of risk and governance principles applying consistently across the business.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties are assessed by reference to the extent to which they threaten, or potentially threaten, the ability of the group to meet its core strategic objectives.

There are a number of potential risks and uncertainties which could have a material impact on performance over the remaining months of the financial year causing material fluctuation in actual results from those expected.

Recent geopolitical events, such as the European Union referendum result, have triggered an increase in economic uncertainty.

Completion of the acquisition of Scildon during the first half of the year has not materially changed the nature of the risks facing the organisation. It has in some cases impacted the sensitivity of the key financial metrics to those risks. Pages 20-21 provide further information on the sensitivities.

A detailed explanation of the risks faced by Chesnara and how they are mitigated can be found on pages 39 to 41 of the annual report. These risks are summarised in the table below.

Risk	Impact
Adverse mortality / morbidity / longevity experience	In the event that actual mortality or morbidity rates vary from the assumptions underlying product pricing and subsequent reserving, more or less profit will accrue to the group.
Adverse persistency experience	If persistency is significantly lower than that assumed in product pricing and subsequent reserving, this will lead to reduced group profitability in the medium to long-term. The business is exposed to losses arising from “mass lapse” events (i.e. a large number of customers terminating their contracts early within a short period of time). This risk is most prevalent for parts of the business such as Movestic, where retention is to a degree dependent on Broker relationships.
Expense overruns and unsustainable unit cost growth	For the closed UK and Dutch businesses, the group is exposed to the impact on profitability of fixed and semi-fixed expenses with the potential to increase per policy administration costs as the book runs off and the costs remain fixed. For the open life and pensions businesses (Movestic and Scildon), the group is exposed to the impact of expense levels varying adversely from those assumed in product pricing.
Significant and prolonged reduction in the market value of asset holdings	<p>A significant part of the company’s income and, therefore, overall profitability derives from fees received in respect of the management of policyholder and investor funds. Fee levels are generally proportional to the value of funds under management and any material fall in their value will impact on future income. In addition, for with profits products with guarantees, a sustained fall in the market value of assets can increase the cost of meeting the guaranteed benefits.</p> <p>The most material risk is equity risk, as overall investment funds comprise a significant equity content. However, material market risks also exist if there is a sustained fall in the value of fixed interest holdings, a fall in the value of property holdings and exchange rate risk in respect of overseas investments held by policyholders.</p> <p>Income levels may also reduce if policyholders switch from equity based funds to lower margin, fixed interest funds, as a consequence of a material fall in the market value of equities.</p>
Adverse exchange rate movements against Sterling	Exposure to adverse sterling:swedish krona and sterling:euro exchange rate movements (Sterling appreciating) arises from cash flows between Chesnara and its overseas subsidiaries and from the impact on reported IFRS and EcV results which are expressed in sterling.
Financial counterparty failure	<p>The group carries significant inherent risk of counterparty failure in respect of:</p> <ul style="list-style-type: none"> – its fixed interest security portfolio; – cash deposits; and – payments due from reinsurers.
Adverse movements in yields on fixed interest securities	The group maintains portfolios of fixed interest securities (i) in order to match its insurance contract liabilities, in terms of yield and cash flow characteristics, and (ii) as an integral part of the investment funds it manages on behalf of policyholders and investors. It is exposed to mismatch losses arising from a failure to match its insurance contract liabilities or from the fact that sharp and discrete fixed interest yield movements may not be associated fully and immediately with corresponding changes in liability valuation interest rates.
Failure of outsourced service providers to fulfil contractual obligations	The group’s business model includes outsourcing arrangements with providers that deliver policyholder administration and other key business functions, particularly in the UK. In the event of failure by any of the service providers to fulfil their contractual obligations, in whole or in part, to the requisite standards specified in the contracts, the group may suffer losses, poor customer outcomes, or reputational damage as its functions degrade or underperform.

Risk	Impact
Key man dependency	The nature of the group is such that it relies on a number of key individuals who have particular knowledge, experience and know how. The group is, accordingly, exposed to the sudden loss of the services of these individuals.
Adverse regulatory and legal changes	<p>The group operates in jurisdictions which are currently subject to significant change arising from regulatory and legal requirements. These may either be of a local nature, or of a wider nature, following from EU-based regulation and law. This risk has been compounded by the increased geopolitical political uncertainties particularly within the EU but also on a global scale.</p> <p>The group is therefore exposed to the one-off costs of addressing regulatory change as well as any permanent increases in the cost base in order to meet enhanced standards. Further, the group is exposed to the risk of fines or censure in the event that it fails to deliver changes to the required regulatory standards on a timely basis.</p>
Inconsistent regulation across territories	<p>Chesnara currently operates in three regulatory domains and is therefore exposed to inconsistent application of regulatory standards across divisions, such as the imposition of higher Capital Buffers over and above regulatory minimums.</p> <p>Potential consequences of this risk for Chesnara include constraining the efficient and fluid use of capital within the group, or creating a non-level playing field with respect to future deal assessments.</p>
Availability of future acquisitions	Chesnara's inorganic growth strategy is dependent on the availability of attractive future acquisition opportunities. Hence, the business is exposed to the risk of a reduction in the availability of suitable acquisition opportunities in Chesnara's current target markets, for example arising as a result of a change in competition in the consolidation market or from regulatory change influencing the extent of life company strategic restructuring.
Defective acquisition due diligence	Through the execution of acquisitions, Chesnara is exposed to the risk of erosion of value or financial losses arising from risks inherent within businesses or funds acquired which are not adequately priced for or mitigated within the transaction.
IT/data security risk and the risk of cyber crime	<p>Cyber crime is a growing risk affecting all companies, particularly those who are custodians of customer data. The most pertinent risk exposure relates to information security (i.e. protecting business sensitive and personal data) and can arise from failure of internal processes and standards, but increasingly companies are becoming exposed to potential malicious cyber attacks, organisation specific malware designed to exploit vulnerabilities, phishing attacks etc. The extent of Chesnara's exposure to such threats also includes third party service providers.</p> <p>The main potential impacts of this risk include financial losses, inability to perform critical functions, disruption to policyholder services, loss of sensitive data and corresponding reputational damage or fines.</p>
Liquidity risk	Chesnara and each of its subsidiaries have obligations to make future payments, which are not always known with certainty in terms of timing or amounts, prior to the payment date. This includes primarily the payment of policyholder claims, reinsurance premiums, debt repayments and dividends. The uncertainty of timing and amounts to be paid gives rise to potential liquidity risk, should the funds not be available to make payment.

Going concern

The directors have considered the ability of the group to continue on a going concern basis. As such the board has performed an assessment as to whether the group can meet its liabilities as they fall due for a period of at least 12 months from which this half year report has been signed.

In performing this work, the board has considered the current cash position of the group and company, coupled with the group's and company's expected cash generation as highlighted in its most recent business plan, which covers a three year period. The business plan considers the financial projections of the group and its subsidiaries on both a base case and a range of stressed scenarios, covering projected IFRS, EcV and solvency positions. These projections also focus on the cash generation of the life insurance divisions and how these flow up into the Chesnara parent company balance sheet, with these cash flows being used to fund debt repayments, shareholder dividends and the head office function of the parent company.

The information set out on pages 20 to 21 indicates a strong Solvency II position as at 30 June 2017 as measured at both the individual regulated life company levels and at the group level. As well as being well-capitalised the group also has a healthy level of cash reserves to be able to meet its debt obligations as they fall due, and does not rely on the renewal or extension of bank facilities to continue trading. The group's subsidiaries do, however, rely on cash flows from the maturity or sale of fixed interest securities which match certain obligations to policyholders, which brings with it the risk of bond default. In order to manage this risk we ensure that our bond portfolio is actively monitored and well diversified. Other significant counterparty default risk relates to our principal reinsurers. We monitor their financial position and are satisfied that any associated credit default risk is low.

In light of this information, the board has concluded that the group and company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this half year report, and as a result the IFRS Financial Statements have been prepared on a going concern basis.

SECTION C: IFRS FINANCIAL STATEMENTS

31	Directors' responsibilities statement
32	Independent Auditor's review report to the members of Chesnara plc
33	Condensed consolidated statement of comprehensive income
34	Condensed consolidated balance sheet
35	Condensed consolidated statement of cash flows
36	Condensed consolidated statement of changes in equity
37	Notes to the condensed consolidated financial statements

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Peter Mason

John Deane

Chairman

Chief Executive Officer

30 August 2017

30 August 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHESNARA PLC

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

30 August 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

		Unaudited Six months ended 30 June		Year ended 31 December
	Note	2017 £000	2016 £000	2016 £000
Insurance premium revenue		91,643	55,524	109,450
Insurance premium ceded to reinsurers		(25,274)	(22,586)	(44,900)
Net insurance premium revenue		66,369	32,938	64,550
Fee and commission income		51,833	34,769	72,932
Net investment return		245,734	108,657	515,681
Total revenue net of reinsurance payable		363,936	176,364	653,163
Other operating income		9,377	9,397	17,614
Total income net of investment return		373,313	185,761	670,777
Insurance contract claims and benefits incurred				
Claims and benefits paid to insurance contract holders		(204,085)	(159,552)	(346,117)
Net (decrease)/increase in insurance contract provisions		47,368	(8,485)	11,392
Reinsurers' share of claims and benefits		22,640	34,372	62,364
Net insurance contract claims and benefits		(134,077)	(133,665)	(272,361)
Change in investment contract liabilities		(156,783)	(13,147)	(274,724)
Reinsurers' share of investment contract liabilities		1,762	1,918	5,617
Net change in investment contract liabilities		(155,021)	(11,229)	(269,107)
Fees, commission and other acquisition costs		(10,600)	(11,050)	(23,838)
Administrative expenses		(33,229)	(20,253)	(46,615)
Other operating expenses				
Charge for amortisation of acquired value of in-force business		(5,225)	(4,645)	(10,419)
Charge for amortisation of acquired value of customer relationships		(50)	(114)	(236)
Other		(2,894)	(2,911)	(4,394)
Total expenses net of change in insurance contract provisions and investment contract liabilities		(341,096)	(183,867)	(626,970)
Total income less expenses		32,217	1,894	43,807
Share of profit/(loss) of associate		682	(428)	150
Profit recognised on business combination		20,742	—	—
Financing costs		(2,011)	(1,226)	(3,272)
Profit before income taxes	4	51,630	240	40,685
Income tax (expense)/credit		(4,878)	237	(5,405)
Profit for the period	3,4	46,752	477	35,280
Foreign exchange translation differences arising on the revaluation of foreign operations		7,084	15,188	20,114
Revaluation of pension obligations	8	(71)	—	—
Total comprehensive income for the period		53,765	15,665	55,394
Basic earnings per share (based on profit for the period)	2	31.22p	0.38p	27.67p
Diluted earnings per share (based on profit for the period)	2	31.04p	0.38p	27.56p

The notes and information on pages 37 to 46 form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

(UNAUDITED)

		Unaudited Six months ended 30 June		Year ended 31 December
	Note	2017 £000	2016 £000	2016 £000
Assets				
Intangible assets				
Deferred acquisition costs		55,281	43,083	48,318
Acquired value of in-force business		126,659	67,753	62,943
Acquired value of customer relationships		698	841	736
Software assets		7,123	7,133	6,560
Property and equipment		4,684	584	519
Investment in associates		6,221	4,721	5,433
Investment properties		1,255	245	245
Reinsurers' share of insurance contract provisions		244,459	276,304	254,859
Amounts deposited with reinsurers		38,147	34,642	37,437
Financial assets				
Equity securities at fair value through income		497,569	479,452	485,165
Holdings in collective investment schemes at fair value through income		5,043,537	3,682,362	4,104,602
Debt securities at fair value through income		1,611,176	494,774	474,091
Policyholders' funds held by the Group		245,687	209,073	229,397
Mortgage loan portfolio		52,624	–	54,756
Insurance and other receivables		86,383	55,775	39,646
Prepayments		21,143	6,079	5,271
Derivative financial instruments		2,414	3,443	2,773
Total financial assets		7,560,533	4,930,958	5,395,701
Defined benefit pension scheme surplus		416	–	–
Reinsurers' share of accrued policyholder claims		18,026	21,367	19,307
Income taxes		3,497	1,693	3,352
Cash and cash equivalents		244,760	253,369	260,353
Total assets	4	8,311,759	5,642,693	6,095,763
Liabilities				
Insurance contract provisions		3,971,521	2,260,524	2,242,446
Other provisions		1,857	925	823
Financial liabilities				
Investment contracts at fair value through income		3,281,368	2,678,190	3,028,269
Liabilities relating to policyholders' funds held by the Group		245,687	209,073	229,397
Borrowings	6	139,622	83,737	86,843
Derivative financial instruments		23,188	3,884	1,348
Total financial liabilities		3,689,865	2,974,884	3,345,857
Deferred tax liabilities		22,688	7,246	5,420
Reinsurance payables		5,461	6,743	6,899
Payables related to direct insurance and investment contracts		97,187	66,772	61,416
Deferred income		5,071	5,815	5,438
Income taxes		3,445	1,660	8,624
Other payables		84,511	21,203	23,657
Bank overdrafts		1,469	1,509	1,622
Total liabilities	4	7,883,075	5,347,281	5,702,202
Net assets		428,684	295,412	393,561
Shareholders' equity				
Share capital		43,766	42,600	43,766
Share premium		142,064	76,516	142,058
Treasury shares		(157)	(161)	(161)
Other reserves		26,384	14,374	19,300
Retained earnings	3	216,627	162,083	188,598
Total shareholders' equity		428,684	295,412	393,561

The notes and information on pages 37 to 46 form part of these financial statements.

Approved by the Board of Directors and authorised for issue on 30 August 2017 and signed on its behalf by:

Peter Mason
Chairman

John Deane
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	Unaudited Six months ended 30 June 2017 £000	2016 £000	Year ended 31 December 2016 £000
Profit for the period	46,752	477	35,280
Adjustments for:			
Depreciation of property and equipment	203	93	173
Amortisation of deferred acquisition costs	5,228	5,233	12,162
Amortisation of acquired value of in-force business	5,225	4,645	6,797
Amortisation of acquired value of customer relationships	50	114	172
Amortisation of software assets	1,032	549	794
Share based payment	350	171	623
Tax paid/(recovery)	4,488	(53)	5,405
Interest receivable	(4,400)	(7,997)	(20,882)
Dividends receivable	(15,458)	(18,076)	(30,209)
Interest expense	2,011	1,226	3,272
Fair value gains on financial assets	(209,345)	(203,005)	(205,870)
Profit arising on business combination	(20,742)	–	–
Share of (profit)/loss of associate	(682)	428	(150)
Interest received/(paid)	3,788	8,096	(16,448)
Dividends received	14,695	16,897	20,281
(Increase)/decrease in intangible assets related to insurance and investment contracts	(10,903)	(8,848)	29,446
Changes in operating assets and liabilities:			
Decrease/(increase) in financial assets	78,496	140,550	(280,333)
Decrease in reinsurers share of insurance contract provisions	14,111	9,400	34,177
Increase in amounts deposited with reinsurers	(710)	(701)	(3,496)
(Increase)/decrease in insurance and other receivables	(27,031)	(9,589)	10,294
(Increase)/decrease in prepayments	(2,851)	902	1,795
Decrease in defined benefit pension scheme surplus	765	–	–
(Decrease)/increase in insurance contract provisions	(61,584)	7,584	(16,530)
Increase in investment contract liabilities	220,932	46,916	362,641
Increase/(decrease) in provisions	1,020	(1,125)	(1,306)
Decrease in reinsurance payables	(1,515)	(3,581)	(3,660)
Increase/(decrease) in payables related to direct insurance and investment contracts	2,738	3,233	(2,114)
Increase in other payables	46,069	4,978	2,808
Cash generated from/(utilised by) operations	92,732	(1,483)	(54,878)
Income tax paid	(22,287)	(3,498)	(4,709)
Net cash generated from/(utilised by) operating activities	70,445	(4,981)	(59,587)
Cash flows from investing activities			
Business combinations	(117,993)	–	–
Development of software	(462)	(2,404)	(3,502)
Purchases of property and equipment	(220)	(84)	948
Net cash utilised by investing activities	(118,675)	(2,488)	(2,554)
Cash flows from financing activities			
Proceeds from issue of share capital	6	–	66,708
Net proceeds from borrowings	51,958	1,950	4,268
Sale of treasury shares	4	–	–
Dividends paid	(19,002)	(15,586)	(24,181)
Interest paid	(1,834)	(1,166)	(3,095)
Net cash generated from/(utilised by) financing activities	31,132	(14,802)	43,700
Net decrease in cash and cash equivalents	(17,098)	(22,271)	(18,441)
Cash and cash equivalents at beginning of period	258,731	259,911	259,911
Effect of exchange rate changes on cash and cash equivalents	1,658	14,220	17,261
Cash and cash equivalents at end of the period	243,291	251,860	258,731

The notes and information on pages 37 to 46 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(UNAUDITED)

Unaudited six months ended 30 June 2017

	Share capital £000	Share premium £000	Other reserves £000	Treasury shares £000	Retained earnings £000	Total £000
Equity shareholders' funds at 1 January 2017	43,766	142,058	19,300	(161)	188,598	393,561
Profit for the period	–	–	–	–	46,752	46,752
Dividends paid	–	–	–	–	(19,002)	(19,002)
Foreign exchange translation differences	–	–	7,084	–	–	7,084
Revaluation of pension obligations	–	–	–	–	(71)	(71)
Sale of treasury shares	–	6	–	4	–	10
Share based payment	–	–	–	–	350	350
Equity shareholders' funds at 30 June 2017	43,766	142,064	26,384	(157)	216,627	428,684

Unaudited six months ended 30 June 2016

	Share capital £000	Share premium £000	Other reserves £000	Treasury shares £000	Retained earnings £000	Total £000
Equity shareholders' funds at 1 January 2016	42,600	76,516	(814)	(161)	177,021	295,162
Profit for the period	–	–	–	–	477	477
Dividends paid	–	–	–	–	(15,586)	(15,586)
Foreign exchange translation differences	–	–	15,188	–	–	15,188
Share based payment	–	–	–	–	171	171
Equity shareholders' funds at 30 June 2016	42,600	76,516	14,374	(161)	162,083	295,412

Year ended 31 December 2016

	Share capital £000	Share premium £000	Other reserves £000	Treasury shares £000	Retained earnings £000	Total £000
Equity shareholders' funds at 1 January 2016	42,600	76,516	(814)	(161)	177,021	295,162
Profit for the year	–	–	–	–	35,280	35,280
Dividends paid	–	–	–	–	(24,181)	(24,181)
Foreign exchange translation differences	–	–	20,114	–	–	20,114
Share based payment	–	–	–	–	478	478
Issue of new shares	1,166	65,542	–	–	–	66,708
Equity shareholders' funds at 31 December 2016	43,766	142,058	19,300	(161)	188,598	393,561

The notes and information on pages 37 to 46 form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1 Basis of preparation

This condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of consolidated financial statements has been prepared applying the accounting policies and presentation which were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2016.

The Group's published consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with IFRS as adopted by the EU. Any judgements and estimates applied in the condensed set of financial statements are consistent with those applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2016.

The financial information shown in these interim financial statements is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The comparative figures for the financial year ended 31 December 2016 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statements under section 498(2) or (3) of the Companies Act 2006.

Scildon reports under IFRS and its accounting policies have been assessed as being in compliance with those of the Group. As part of this assessment, it has been identified that the basis for measuring insurance contract liabilities differs to other parts of the Chesnara Group. In particular, Scildon measures the majority of its insurance contract liabilities using historical market rates of interest, as is customary in the Netherlands. This approach can lead to increased volatility in IFRS profits by virtue of the assets that back the insurance contract provisions being reported on a fair value basis (i.e. incorporating current market rates of interest) but with the liabilities using historical rates. Whilst "IFRS 4 Insurance Contracts" permits this, the Group is planning on aligning the current approach adopted by Scildon with those used in other parts of the group as it believes that this will make the financial statements more relevant to the economic decision-making needs of users. This alignment is planned to be implemented prior to reporting the Group financial statements for the year ending 31 December 2017. Note 5 Business combinations, has been prepared using the current measurement basis adopted by Scildon. The Group does not anticipate that this alignment of measurement bases will materially impact the reported profit arising on acquisition as any consequential change in insurance contract liabilities is expected to result in an equal and opposite change to the "acquisition VIF", as reported in note 5.

2 Earnings per share

Earnings per share are based on the following:

	Unaudited Six months ended 30 June		Year ended 31 December
	2017	2016	2016
Profit for the period attributable to shareholders (£000)	46,752	477	35,280
Weighted average number of ordinary shares	149,741,550	126,404,892	127,488,681
Basic earnings per share	31.22p	0.38p	27.67p
Diluted earnings per share	31.04p	0.38p	27.56p

The weighted average number of ordinary shares in respect of the six months ended 30 June 2017 is based upon 149,885,761 shares in issue, less 144,211 own shares held in treasury.

The six months ended 30 June 2016 is based upon 126,552,427 shares in issue, less 147,535 own shares held in treasury at the beginning of the period, and 126,552,427 shares in issue less 147,535 own shares held in treasury at the end of the period.

The weighted average number of ordinary shares in respect of the year ended 31 December 2016 is based upon 149,885,761 shares in issue less 147,535 own shares held in treasury.

There were 876,926 share options outstanding at 30 June 2017 (30 June 2016: 526,648). Accordingly, there is dilution of the average number of ordinary shares in issue in respect of 2017. There were 526,648 share options outstanding as at 31 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

3 Retained earnings

	Unaudited Six months ended 30 June		Year ended 31 December
	2017 £000	2016 £000	2016 £000
Retained earnings attributable to equity holders of the parent company comprise:			
Balance at 1 January	188,598	177,021	177,021
Profit for the period	46,752	477	35,280
Revaluation of pension obligations	(71)	–	–
Share based payment	350	171	478
Dividends:			
Final approved and paid for 2015	–	(15,586)	(15,586)
Interim approved and paid for 2016	–	–	(8,595)
Final approved and paid for 2016	(19,002)	–	–
Balance at period end	216,627	162,083	188,598

The interim dividend in respect of 2016, approved and paid in 2016 was paid at the rate of 6.80p per share.

The final dividend in respect of 2016, approved and paid in 2016, was paid at the rate of 12.69p per share so that the total dividend paid to the equity shareholders of the Company in respect of the year ended 31 December 2016 was made at the rate of 19.49p per share.

An interim dividend of 7.00p per share in respect of the year ending 31 December 2017 payable on 11 October 2017 to equity shareholders of the Company registered at the close of business on 8 September 2017, the dividend record date, was approved by the Directors after the balance sheet date. The resulting dividend of £10.5m has not been provided for in these financial statements and there are no income tax consequences.

The following table summarises dividends per share in respect of the six month period ended 30 June 2017 and the year ended 31 December 2016:

	Six months ended 30 June 2017 P	Year ended 31 December 2016 P
Interim – approved/paid	7.00	6.80
Final - proposed/paid	–	12.69
Total	7.00	19.49

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

4 Operating segments

The Group considers that it has no product or distribution-based business segments. It reports segmental information on the same basis as reported internally to the Chief Operating Decision Maker, which is the Board of Directors of Chesnara plc.

The segments of the Group as at 30 June 2017 comprise:

CA: This segment is part of the Group's UK life insurance and pensions run-off portfolio and comprises the original business of Countrywide Assured plc, the Group's principal UK operating subsidiary, and City of Westminster Assurance Company Limited which was acquired in 2005 and the long-term business of which was transferred to Countrywide Assured plc during 2006. This segment also contains the business of Protection Life, which was purchased on 28 November 2013. CA is responsible for conducting unit-linked and non-linked business.

S&P: This segment, which was acquired on 20 December 2010, comprises the business of Save & Prosper Insurance Limited and its subsidiary Save & Prosper Pensions Limited. It is responsible for conducting both unit-linked and non-linked business, including a with-profits portfolio, which carries significant additional market risk, as described in Note 6 'Management of financial risk' in the Chesnara plc 2014 Annual Report and Accounts. On 31 December 2011 the whole of the business of this segment was transferred to Countrywide Assured plc under the provisions of Part VII of the Financial Services and Markets Act 2000.

Movestic: This segment comprises the Group's Swedish life and pensions business, Movestic Livförsäkring AB ('Movestic') and its subsidiary and associated companies, which are open to new business and which are responsible for conducting both unit-linked and non-linked business.

Waard Group: This segment represents the Group's first Dutch life and general insurance business, which was acquired on 19 May 2015 and comprises the three insurance companies Waard Leven N.V., Hollands Welvaren Leven N.V. and Waard Schade N.V., and a servicing company, Waard Verzekeringen B.V.. During the period, the book of business in Hollands Welvaren Leven was transferred to its direct parent company, Waard Leven. The Waard Group's policy base is predominantly made up of term life policies, although also includes unit-linked policies and some non-life policies, covering risks such as occupational disability and unemployment. This segment is closed to new business.

Scildon: This segment represents the Group's latest Dutch life insurance business, which was acquired on 5 April 2017. Scildon's policy base is predominantly made up of individual protection and savings contracts. It is open to new business and sells protection, individual savings and group pension contracts via a broker-led distribution model.

Other Group Activities: The functions performed by the ultimate holding company within the Group, Chesnara plc, are defined under the operating segment analysis as Other Group Activities. Also included therein are consolidation and elimination adjustments.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are on normal commercial terms in normal market conditions. The Group evaluates performance of operating segments on the basis of the profit before tax attributable to shareholders and on the total assets and liabilities of the reporting segments and the Group. There were no changes to the measurement basis for segment profit during the six months ended 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

4 Operating segments (continued)

(i) Segmental income statement for the six months ended 30 June 2017

	CA £000	S&P £000	UK Total £000	Movestic £000	Waard Group £000	Scildon £000	Other Group Activities £000	Total £000
Net insurance premium revenue	18,364	1,995	20,359	7,681	1,303	37,026	–	66,369
Fee and commission income	13,516	1,217	14,733	24,032	10	13,058	–	51,833
Net investment return	53,181	62,339	115,520	125,026	3,309	1,831	48	245,734
Total revenue (net of reinsurance payable)	85,061	65,551	150,612	156,739	4,622	51,915	48	363,936
Other operating income/(expense)	1,366	5,748	7,114	2,393	36	(166)	–	9,377
Segmental income	86,427	71,299	157,726	159,132	4,658	51,749	48	373,313
Net insurance contract claims and benefits incurred	(42,174)	(50,029)	(92,203)	(3,154)	(674)	(38,046)	–	(134,077)
Net change in investment contract liabilities	(28,786)	(1,496)	(30,282)	(124,739)	–	–	–	(155,021)
Fees, commission and other acquisition costs	(713)	(8)	(721)	(13,634)	(168)	686	–	(13,837)
Administrative expenses:								
Amortisation charge on software assets	–	–	–	(1,032)	–	(54)	–	(1,086)
Depreciation charge on property and equipment	–	–	–	(84)	(21)	(118)	–	(223)
Other	(5,864)	(5,116)	(10,980)	(6,358)	(1,479)	(7,254)	(5,849)	(31,920)
Operating (expenses)/income	(473)	1	(472)	(2,434)	–	–	12	(2,894)
Financing costs	–	(2)	(2)	(1,238)	–	–	(771)	(2,011)
Share of profit from associates	–	–	–	682	–	–	–	682
Profit/(loss) before tax and consolidation adjustments	8,417	14,649	23,066	7,141	2,316	6,963	(6,560)	32,926
Other operating expenses:								
Charge for amortisation of acquired value of in-force business	(2,841)	(271)	(3,112)	(1,739)	(325)	(49)	–	(5,225)
Charge for amortisation of acquired value of customer relationships	–	–	–	(50)	–	–	–	(50)
Fees, commission and other acquisition costs	–	–	–	1,681	1,556	–	–	3,237
Segmental income less expenses	5,576	14,378	19,954	7,033	3,547	6,914	(6,560)	30,888
Profit arising on business combination	–	–	–	–	20,742	–	–	20,742
Profit/(loss) before tax	5,576	14,378	19,954	7,033	24,289	6,914	(6,560)	51,630
Income tax (expense)/credit			(3,235)	(311)	(838)	(1,757)	1,263	(4,878)
Profit/(loss) after tax			16,719	6,722	23,451	5,157	(5,297)	46,752

(ii) Segmental balance sheet as at 30 June 2017

	CA £000	S&P £000	Movestic £000	Waard Group £000	Scildon £000	Other Group Activities £000	Total £000
Total assets	1,763,109	1,237,283	2,991,394	227,898	2,019,490	72,585	8,311,759
Total liabilities	(1,689,073)	(1,160,852)	(2,906,248)	(129,627)	(1,893,450)	(103,825)	(7,883,075)
Net assets	74,036	76,431	85,146	98,271	126,040	(31,240)	428,684
Investment in associates	–	–	6,221	–	–	–	6,221
Additions to non-current assets	–	–	11,525	134	1,360	–	13,019

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

4 Operating segments (continued)

(iii) Segmental income statement for the six months ended 30 June 2016

	CA £000	S&P £000	UK Total £000	Movestic £000	Waard Group £000	Other Group Activities £000	Total £000
Net insurance premium revenue	21,730	2,622	24,352	7,118	1,468	–	32,938
Fee and commission income	14,431	1,326	15,757	19,000	12	–	34,769
Net investment return	92,909	43,364	136,273	(29,550)	1,822	112	108,657
Total revenue (net of reinsurance payable)	129,070	47,312	176,382	(3,432)	3,302	112	176,364
Other operating income	1,224	5,141	6,365	2,553	479	–	9,397
Segmental income/(expenses)	130,294	52,453	182,747	(879)	3,781	112	185,761
Net insurance contract claims and benefits incurred	(68,903)	(61,287)	(130,190)	(3,851)	376	–	(133,665)
Net change in investment contract liabilities	(40,343)	(467)	(40,810)	29,581	–	–	(11,229)
Fees, commission and other acquisition costs	(870)	(14)	(884)	(11,581)	(157)	–	(12,622)
Administrative expenses:							
Amortisation charge on software assets	–	–	–	(1,340)	–	–	(1,340)
Depreciation charge on property and equipment	(22)	–	(22)	(180)	–	–	(202)
Other	(5,283)	(4,607)	(9,890)	(4,909)	(1,734)	(2,178)	(18,711)
Operating expenses	(603)	–	(603)	(2,308)	–	–	(2,911)
Financing costs	–	(1)	(1)	(403)	–	(822)	(1,226)
Share of loss from associates	–	–	–	(428)	–	–	(428)
Profit/(loss) before tax and consolidation adjustments	14,270	(13,923)	347	3,702	2,266	(2,888)	3,427
Other operating expenses:							
Charge for amortisation of acquired value of in-force business	(2,324)	(302)	(2,626)	(1,725)	(294)	–	(4,645)
Charge for amortisation of acquired value of customer relationships	–	–	–	(114)	–	–	(114)
Fees, commission and other acquisition costs	–	–	–	1,572	–	–	1,572
Segmental income less expenses	11,946	(14,225)	(2,279)	3,435	1,972	(2,888)	240
Profit/(loss) before tax	11,946	(14,225)	(2,279)	3,435	1,972	(2,888)	240
Income tax credit/(expense)			144	(333)	(684)	1,110	237
(Loss)/profit after tax			(2,135)	3,102	1,288	(1,778)	477

(iv) Segmental balance sheet as at 30 June 2016

	CA £000	S&P £000	Movestic £000	Waard Group £000	Other Group Activities £000	Total £000
Total assets	1,835,090	1,187,101	2,380,344	204,527	35,631	5,642,693
Total liabilities	(1,715,423)	(1,145,106)	(2,307,514)	(125,701)	(53,537)	(5,347,281)
Net assets	119,667	41,995	72,830	78,826	(17,906)	295,412
Investment in associates	–	–	4,721	–	–	4,721
Additions to non-current assets	–	–	11,894	7	–	11,901

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

4 Operating segments (continued)

(v) Segmental income statement for the year ended 31 December 2016

	CA £000	S&P £000	UK Total £000	Movestic £000	Waard Group £000	Other Group Activities £000	Total £000
Net insurance premium revenue	42,103	4,886	46,989	14,903	2,658	–	64,550
Fee and commission income	29,000	2,610	31,610	41,296	26	–	72,932
Net investment return	206,748	131,155	337,903	169,130	8,464	184	515,681
Total revenue (net of reinsurance payable)	277,851	138,651	416,502	225,329	11,148	184	653,163
Other operating income	2,568	10,792	13,360	3,751	503	–	17,614
Segmental income	280,419	149,443	429,862	229,080	11,651	184	670,777
Net insurance contract claims and benefits incurred	(139,748)	(123,454)	(263,202)	(7,695)	(1,464)	–	(272,361)
Net change in investment contract liabilities	(98,393)	(2,206)	(100,599)	(168,508)	–	–	(269,107)
Fees, commission and other acquisition costs	(1,641)	(23)	(1,664)	(25,089)	(330)	–	(27,083)
Administrative expenses:							
Amortisation charge on software assets	–	–	–	(1,243)	–	–	(1,243)
Depreciation charge on property and equipment	–	–	–	(197)	–	–	(197)
Other	(11,017)	(9,443)	(20,460)	(12,800)	(3,664)	(8,251)	(45,175)
Operating (expenses)/income	(1,203)	(1)	(1,204)	(3,209)	–	19	(4,394)
Financing costs	–	(2)	(2)	(1,629)	–	(1,641)	(3,272)
Share of profit from associates	–	–	–	150	–	–	150
Profit/(loss) before tax and consolidation adjustments	28,417	14,314	42,731	8,860	6,193	(9,689)	48,095
Other operating expenses:							
Charge for amortisation of acquired value of in-force business	(5,643)	(604)	(6,247)	(3,554)	(618)	–	(10,419)
Charge for amortisation of acquired value of customer relationships	–	–	–	(236)	–	–	(236)
Fees, commission and other acquisition costs	–	–	–	3,245	–	–	3,245
Segmental income less expenses	22,774	13,710	36,484	8,315	5,575	(9,689)	40,685
Profit/(loss) before tax	22,774	13,710	36,484	8,315	5,575	(9,689)	40,685
Income tax (expense)/credit			(6,663)	(7)	(1,721)	2,986	(5,405)
Profit/(loss) after tax			29,821	8,308	3,854	(6,703)	35,280

(vi) Segmental balance sheet as at 31 December 2016

	CA £000	S&P £000	Movestic £000	Waard Group £000	Other Group Activities £000	Total £000
Total assets	1,829,944	1,217,546	2,718,156	207,160	122,957	6,095,763
Total liabilities	(1,728,019)	(1,155,556)	(2,638,490)	(122,655)	(57,482)	(5,702,202)
Net assets	101,925	61,990	79,666	84,505	65,475	393,561
Investment in associates	–	–	5,433	–	–	5,433
Additions to non-current assets	–	–	11,894	–	–	11,894

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

5 Business combinations

On 5 April 2017, Chesnara plc acquired the entire issued share capital (100%) of Legal & General Nederland Levensverzekering Maatschappij N.V. (Legal & General Nederland) an open book life assurance company based in Netherlands, from Legal & General Group plc, a UK based financial services group for a total consideration of €161,236,164 (approximately £137.5m), comprising €160.0m base consideration plus interest for the period to completion of €1.2m. On 11 April 2017, it was announced that the newly acquired company was to be re-branded as Scildon. Scildon's policy base is predominantly made up of individual protection and savings contracts. It is open to new business and sells protection, individual savings and group pension contracts via a broker-led distribution model. The acquisition creates scale and presence in the Dutch market and leaves us well positioned to take advantage of any further value adding opportunities that may arise.

The acquisition of this shareholding has given rise to a profit on acquisition of £20.7m calculated as follows:

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Assets			
Intangible assets			
Deferred acquisition costs	11,763	(11,763)	–
Acquired value of in-force business	–	66,296	66,296
Software assets	1,002	–	1,002
Property and equipment	4,022	–	4,022
Investment properties	981	–	981
Reinsurers' share of insurance contract provisions	1,314	–	1,314
Financial assets:			
Holdings in collective investment schemes at fair value through income	811,715	–	811,715
Debt securities at fair value through income	1,058,393	–	1,058,393
Insurance and other receivables	15,567	–	15,567
Prepayments	12,647	–	12,647
Total financial assets	1,898,322	–	1,898,322
Deferred tax asset	8,168	–	8,168
Defined benefit pension scheme surplus	1,056	–	1,056
Income taxes	127	–	127
Cash and cash equivalents	19,533	–	19,533
Total assets	1,946,288	54,533	2,000,821
Liabilities			
Insurance contract provisions	1,736,389	–	1,736,389
Derivatives	23,725	–	23,725
Deferred tax liabilities	10,919	13,634	24,553
Payables related to direct insurance contracts	31,967	–	31,967
Income taxes	10,324	–	10,324
Other payables	15,595	–	15,595
Total liabilities	1,828,919	13,634	1,842,553
Net assets	117,369	40,899	158,268
Net assets acquired			158,268
Total consideration, paid in cash			(137,526)
Profit arising on business combination			20,742

The assets and liabilities at the acquisition date in the table above are stated at their provisional fair values and may be amended for 12 months after the date of acquisition in accordance with IFRS 3, Business Combinations. It should be noted that a restatement of insurance contract provisions is planned to take place in the second half of 2017, as reported in note 1 Basis of preparation. The Group does not anticipate that this change in measurement basis for insurance contract liabilities will materially alter the overall reported profit arising on acquisition as any consequential change in insurance contract liabilities is expected to result in an equal and opposite change to the "acquisition value of in-force business" intangible asset.

Acquired receivables: Within the net assets acquired are reinsurance related and other receivable balances totalling £16.9m, which are held at fair value. For all receivables other than reinsurers' share of insurance contract provisions the gross contractual amounts receivable are equal to fair value. The reinsurers' share of insurance contract provisions receivable balance of £1.3m is discounted as a result of the long-term nature of this asset.

Acquired value of in-force business: The acquisition has resulted in the recognition of net of tax intangible asset amounting to £49.7m, which represents the present value of the future post-tax cash flows expected to arise from policies that were in force at the point of acquisition. The asset has been valued using a discounted cash flow model that projects the future surpluses that are expected to arise from the business. The model factors in a number of variables, of which the most influential are; the policyholders' ages, mortality rates, expected policy lapses, expenses that are expected to be incurred to manage the policies and future investment growth, as well as the discount rate that has been applied. This asset will be amortised over its expected useful life.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

5 Business combinations (continued)

Gain on acquisition: As shown on the previous page, a gain of £20.7m has been recognised on acquisition. Under IFRS 3, a gain on acquisition is defined as being a "bargain purchase". At the point of price negotiation and subsequent deal completion, Legal & General was following a strategic plan to dispose of non-core businesses, which included its Dutch operation. In the opinion of the Directors this resulted in a disposal pricing strategy for Legal & General Nederland that sought to offer an attractive investment opportunity for potential buyers.

Acquisition-related costs: The costs in respect of the transaction amounted to £8.1m. £4.1m of these costs have been included in Administration Expenses, of which £3.8m was recognised within the Consolidated Statement of Comprehensive Income in 2016, with the remainder recognised in the current period. Transaction costs of £3.3m were incurred in respect of the equity fund-raising and were deducted from equity in 2016. Debt fund-raising costs amounted to £0.8m and will be amortised over the life of the loan using the effective interest rate method of amortisation.

Results of Scildon: The results of Scildon have been included in the consolidated financial statements of the Group with effect from 5 April 2017. Net insurance premium revenue for the period was £37.0m, with contribution to overall consolidated profit before tax of £7.0m, before the amortisation of the AVIF and deferred acquisition cost intangible assets. Had Scildon been consolidated from 1 January 2017, the Consolidated Statement of Comprehensive Income would have included net insurance premium revenue of £94.6m, and would have contributed £5.4m to the overall consolidated profit before tax.

6 Borrowings

	Unaudited 30 June		31 December
	2017	2016	2016
	£000	£000	£000
Bank loan	101,665	52,580	52,697
Amount due in relation to financial reinsurance	37,957	31,157	34,146
Total	139,622	83,737	86,843

The bank loan subsisting at 30 June 2017 comprises the following:

- on 3 April 2017 tranche one of a new facility was drawn down, amounting to £40.0m. This facility is unsecured and is repayable in ten six-monthly instalments on the anniversary of the draw down date. The outstanding principal on the loan bears interest at a rate of 2.00 percentage points above the London Inter-Bank Offer Rate and is repayable over a period which varies between one and six months at the option of the borrower. The proceeds of this loan facility were utilised, together with existing Group cash, to repay in full, the pre-existing loan facilities totalling £52.8m.
- on 3 April 2017 tranche two of the new loan facility was drawn down, amounting to €71.0m. As with tranche one, this facility is unsecured and is repayable in ten six-monthly instalments on the anniversary of the draw down date. The outstanding principal on the loan bears interest at a rate of 2.00 percentage points above the European Inter-Bank Offer Rate and is repayable over a period which varies between one and six months at the option of the borrower.

The fair value of the sterling bank loan at 30 June 2017 was £40,000,000 (31 December 2016: £52,800,000).

The fair value of the euro denominated bank loan at 30 June 2017 was €71,000,000 (£62,329,910).

The fair value of amounts due in relation to financial reinsurance was £37,903,000 (31 December 2016: £34,396,000).

Bank loans are presented net of unamortised arrangement fees. Arrangement fees are recognised in profit or loss using the effective interest rate method.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

7 Financial instruments fair value disclosures

The table below shows the determination of the fair value of financial assets and financial liabilities according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, the Group applies valuation techniques to measure such instruments. These valuation techniques make use of market-observable data for all significant inputs where possible (Level 2), but, in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

The Group held the following financial instruments at fair value at 30 June 2017. There have not been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Fair value measurement at 30 June 2017 using				
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Equities				
Listed	497,569	–	–	497,569
Holdings in collective investment schemes	5,032,115	11,422	–	5,043,537
Debt securities - fixed rate				
Government Bonds	935,306	2,699	–	938,005
Corporate Bonds	667,169	–	–	667,169
Debt securities - floating rate				
Listed	6,002	–	–	6,002
Total debt securities	1,608,477	2,699	–	1,611,176
Policyholders' funds held by the group	245,687	–	–	245,687
Derivative financial instruments	418	1,996	–	2,414
Total	7,384,266	16,117	–	7,400,383
Current				4,862,206
Non-current				2,538,177
Total				7,400,383
Financial liabilities				
Investment contracts at fair value through income	–	3,281,368	–	3,281,368
Liabilities related to policyholders' funds held by the group	245,687	–	–	245,687
Derivative financial instruments	–	23,188	–	23,188
Total	245,687	3,304,556	–	3,550,243

Holdings in collective investment schemes

Included within Holdings in collective investment schemes are amounts held by Scildon, which represents a unit-linked fund containing a mixture of government bonds. The value of the fund is calculated using an internal market model. These amounts have been classified as level 2 in the above hierarchy table as the overall fund price is not collectively quoted but is valued using market-observable data.

Debt securities

The debt securities classified as Level 2 are Dutch government bond-type products, held by our newly acquired Dutch subsidiary Scildon. These assets are valued by the use of valuation models maintained by the holding investment managers, using the Dutch government interest rate curve plus an additional 20 basis point margin to represent the illiquid nature of the assets.

These assets have been classified as Level 2 because the third-party valuation models include observable inputs to the valuation of these assets, including yield curves.

Derivative financial instruments

Within derivative financial instruments is a financial reinsurance embedded derivative related to our Movestic operation. The Group has entered into a reinsurance contract with a third party that has a section that is deemed to transfer significant insurance risk and a section that is deemed not to transfer significant insurance risk. The element of the contract that does not transfer significant insurance risk has two components and has been accounted for as a financial liability at amortised cost and an embedded derivative asset at fair value.

The embedded derivative represents an option to repay the amounts due under the contract early at a discount to the amortised cost, with its fair value being determined by reference to market interest rate at the balance sheet date. It is, accordingly, determined at Level 2 in the three-level fair value determination hierarchy set out above.

The derivative balance classified as a Level 2 liability, predominantly relates to interest rate swaps held within our Scildon operation, to hedge some of the risk of changes in the value of its obligations under insurance contract liabilities. The valuation of these derivatives is modelled using market observable variables and are hence classified as Level 2.

Investment contract liabilities

The Investment contract liabilities in Level 2 of the valuation hierarchy represent the fair value of non-linked and guaranteed income and growth bonds liabilities valued using established actuarial techniques utilising market observable data for all significant inputs, such as investment yields.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

7 Financial instruments fair value disclosures (continued)

Except as detailed in the following table, the Directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	Carrying amount			Fair value		
	30 June 2017 £000	30 June 2016 £000	31 December 2016 £000	30 June 2017 £000	30 June 2016 £000	31 December 2016 £000
Financial liabilities:						
Borrowings	139,622	83,737	86,843	140,233	84,536	87,196

Borrowings consist of bank loans and an amount due in relation to financial reinsurance.

The fair value of the bank loans are taken as the principal outstanding at the balance sheet date.

The amount due in relation to financial reinsurance is fair valued with reference to market interest rates at the balance sheet date.

There were no transfers between levels 1, 2 and 3 during the period.

The Group holds no Level 3 liabilities as at the balance sheet date.

8 Defined benefit pension scheme obligations

Scildon has a defined benefit plan, the costs of which are calculated using the projected unit credit method. This means that the cost of providing pensions charged to the profit and loss account are placed over the service lives of employees, according to actuarial calculations. The obligations are calculated as the difference between the present value of pension obligations, net of the fair value of the existing plan assets. The present value of pension liabilities is determined by discounting the expected future retirement benefits at the rate of return on high quality corporate bonds in euros, which have a similar remaining period to when the pension payments are expected to be incurred. Any deficiency is recognised as a liability in the consolidated balance sheet, and any surplus is recognised as an asset. Actuarial gains and losses arising from deviations from expected outcomes are recognised as revaluations through other comprehensive income and are recognised directly in equity.

Scildon is required to contribute a cost covering premium. This cost covering premium contains the actuarial cost of newly arising unconditional benefits (using the pension fund's assumptions), the related administration cost and related buffer requirements. The pension fund does not guarantee the nominal benefits. In case of underfunding the nominal benefits can be reduced. Scildon is not obliged to pay for:

- Past service benefit increases due to wage increases;
- Past service benefit increases due to (full) indexation of past service benefits to active participants;
- Past service benefit increases due to (full) indexation of past service benefits to deferred participants and participants receiving benefits;
- Catch up contributions (e.g. for a transitory plan); and
- Fund deficits.

Vested benefits have been funded with the pension fund which manages the assets. Newly arising benefits are funded through contributions to the pension fund. The agreement between Scildon and the pension fund contains provisions that the pension fund may grant discounts and/or restitutions to Scildon, if the funding position of the pension fund exceeds a certain level and outlooks are positive.

The assets and liabilities of the defined benefit scheme are shown below.

	30 June 2017 £000
Total fair value of assets	46,217
Present value of scheme liabilities	(45,802)
Net surplus in the scheme	415

The surplus at the date of acquisition was £1,056,000. The movement to 30 June 2017 is primarily due to current service costs, together with broadly offsetting asset and liability valuation movements. There were no employer contributions into the scheme in the period post acquisition.

9 Approval of consolidated report for the six months ended 30 June 2017

This condensed consolidated report was approved by the Board of Directors on 30 August 2017. A copy of the report will be available to the public at the Company's registered office, 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston, PR1 8UY and at www.chesnara.co.uk.

SECTION D: ADDITIONAL INFORMATION

48	Financial calendar
48	Key contacts
49	Glossary
50	Note on terminology

31 August 2017

Interim results for the six months ending 30 June 2017 announced.

7 September 2017

Ex dividend date.

8 September 2017

Interim dividend record date.

11 October 2017

Interim dividend payment date.

29 March 2018

Results for the year ending 31 December 2017 announced.

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GLOSSARY

AGM	Annual General Meeting.	Movestic	Movestic Livförsäkring AB.
ALM	Asset Liability Management – management of risks that arise due to mismatches between assets and liabilities.	Modernac	Modernac SA, an associated company which is 49% owned by Movestic.
APE	Annual Premium Equivalent – an industry wide measure that is used for measuring the annual equivalent of regular and single premium policies.	New business	The present value of the expected future cash inflows arising from business written in the reporting period.
CA	Countrywide Assured plc.	Official List	The Official List of the Financial Conduct Authority.
CALH	Countrywide Assured Life Holdings Limited and its subsidiary companies.	Ordinary Shares	Ordinary shares of five pence each in the capital of the company.
Cash Generation	This represents the operational cash that has been generated in the period. The cash generating capacity of the group is largely a function of the movement in the solvency position of the insurance subsidiaries within the group, and takes account of the buffers that management has set to hold over and above the solvency requirements imposed by our regulators. Cash generation is reported at a group level and also at an underlying divisional level reflective of the collective performance of each of the divisions prior to any group level activity.	Own Funds	Own Funds – in accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the company in those capital resources.
DNB	De Nederlandsche Bank is the central bank of the Netherlands and is the regulator of our Dutch subsidiaries.	ORSA	Own Risk and Solvency Assessment
DPF	Discretionary Participation Feature – A contractual right under an insurance contract to receive, as a supplement to guaranteed benefits, additional benefits whose amount or timing is contractually at the discretion of the issuer.	PRA	Prudential Regulation Authority.
Dutch Business	Scildon and the Waard Group, consisting of Waard Leven N.V., Hollands Welvaren Leven N.V., Waard Schade N.V. and Waard Verzekeringen B.V.	QRT	Quantitative Reporting Template.
EcV	Economic Value is a financial metric that is derived from Solvency II own funds that is broadly similar in concept to European Embedded Value. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.	ReAssure	ReAssure Limited.
FCA	Financial Conduct Authority.	Resolution	The resolution set out in the notice of General Meeting set out in this document.
FI	Finansinspektionen, being the Swedish Financial Supervisory Authority.	RMF	Risk Management Framework.
Form of Proxy	The form of proxy relating to the General Meeting being sent to Shareholders with this document.	Scildon	Scildon
FSMA	The Financial Services and Markets Act 2000 of England and Wales, as amended.	Shareholder (s)	Holder(s) of Ordinary Shares.
Group	The company and its existing subsidiary undertakings.	Solvency II	A fundamental review of the capital adequacy regime for the European insurance industry. Solvency II aims to establish a set of EU-wide capital requirements and risk management standards and has replaced the Solvency I requirements.
Group Own Funds	In accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the group in those capital resources.	SICAV	A type of open-ended investment fund in which the amount of capital in the fund varies according to the number of investors. Shares in the fund are bought and sold based on the fund's current net asset value.
Group SCR	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.	STI	Short-Term Incentive Scheme – A reward system designed to incentivise executive directors' short-term performance.
Group Solvency	Group solvency is a measure of how much the value of the company exceeds the level of capital it is required to hold in accordance with Solvency II regulations.	SCR	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings
HCL	HCL Insurance BPO Services Limited.	Swedish Business S&P	Movestic and its subsidiaries and associated companies.
IFRS	International Financial Reporting Standards.	TCF	Save & Prosper Insurance Limited and Save & Prosper Pensions Limited.
IFA	Independent Financial Adviser.	TSR	Treating Customers Fairly – a central PRA principle that aims to ensure an efficient and effective market and thereby help policyholders achieve fair outcomes.
KPI	Key performance indicator.	UK or United Kingdom	Total Shareholder Return, measured with reference to both dividends and capital growth.
LGN	LGN or Legal & General Nederland refers to the legal entity Legal & General Nederland Levensverzekering Maatschappij N.V acquired by Chesnara in April 2017.	UK Business	The United Kingdom of Great Britain and Northern Ireland.
London Stock Exchange LTI	London Stock Exchange plc.		CA and S&P
	Long-Term Incentive Scheme – A reward system designed to incentivise executive directors' long-term performance.		

NOTE ON TERMINOLOGY

As explained in Note 4 to the IFRS financial statements, the principal reporting segments of the group are:

CA	which comprises the original business of Countrywide Assured plc, the group's original UK operating subsidiary; City of Westminster Assurance Company Limited, which was acquired by the group in 2005, the long-term business of which was transferred to Countrywide Assured plc during 2006; and Protection Life Company Limited which was acquired by the group in 2013, the long-term business of which was transferred into Countrywide Assured plc in 2014;
S&P	which was acquired on 20 December 2010. This business was transferred from Save & Prosper Insurance Limited and Save & Prosper Pensions Limited to Countrywide Assured plc on 31 December;
Movestic	which was purchased on 23 July 2009 and comprises the group's Swedish business, Movestic Livförsäkring AB and its subsidiary and associated companies;
The Waard Group	which was acquired on 19 May 2015 and comprises three insurance companies; Waard Leven N.V., Hollands Welvaren Leven N.V. and Waard Schade N.V.; and a service company, Tadas Verzekering; and
Scildon	which was acquired on 5 April 2017; and
Other group Activities	which represents the functions performed by the parent company, Chesnara plc. Also included in this segment are consolidation adjustments.

In this Interim Report & Accounts:

- i. The **CA & S&P** segments may also be collectively referred to as the '**UK Business**';
- ii. The **Movestic** segment may also be referred to as the '**Swedish Business**';
- iii. The '**Waard Group**' segment may also be referred to as the '**Dutch Business**';
- iv. '**CA plc**' refers to the legal entity Countrywide Assured plc, which includes the long term business of **CA**, **CWA**, **S&P** and **PL**;
- v. '**CWA**' refers to the long-term business of City of Westminster Assurance Company Limited, which subsidises within Countrywide Assured plc;
- vi. '**S&P**' refers collectively to the original business of Save & Prosper Insurance Limited and Save & Prosper Pensions Limited, which subsidises within Countrywide Assured plc;
- vii. '**PL**' refers to the long-term business that was, prior to the Part VII transfer into CA plc on 31 December 2014, reported within Protection Life Company Limited and was reported as a separate segment for IFRS reporting purposes;
- viii. '**PL Ltd**' refers to the legal entity Protection Life Company Limited;
- ix. '**Movestic**' may also refer to Movestic Livförsäkring AB, as the context implies;
- x. '**Acquisition of Waard Group**' refers to the purchase of the Waard Group, based in the Netherlands, on 19 May 2015; and
- xi. '**Scildon**', '**LGN**' or '**Legal & General Nederland**' refers to the legal entity Scildon formerly known as Legal & General Nederland Levensverzekering Maatschappij N.V., which Chesnara acquired on 5 April 2017.

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