PGH (LC2) LIMITED

Company Registration Number: 06308409

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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Strategic report

The Directors present their Strategic report of PGH (LC2) Limited ('the Company') for the year ended 31 December 2016.

Principal activities
The principal activity of the Company during the period was that of an investment company. On 3 June 2015 the Company ceased trading and will remain dormant for the foreseeable future.

Result and dividends
The results of the Company for the year are shown in the statement of comprehensive income on page 6. The profit before tax was £nil (2015: £5.5m).

No dividends were paid during the year £nil (2015: £273.9m).

Position as at 31 December 2016
The net assets of the Company at 31 December 2016 were £nil (2015: £nil).

Principal risks and uncertainties
The Phoenix Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

As the Company no longer conducts business, there are deemed to be no material risks.

Key Performance Indicators ('KPIs')
Given the dormant nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

J McConville
Director
14 June 2017

Directors' report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2016.

The Company is incorporated in the United Kingdom as a private limited company. Its registration number is 06308409 and its Registered Office is 1 Wythall Green Way, Wythall, Birmingham B47, 6WG.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

Going concern
The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, the Strategic report discusses the principal risks and uncertainties it faces. Note 18 to the financial statements summarises the Company's capital management and risk objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's 'Guidance on Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks' (issued April 2016) when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors have prepared cash flow and solvency forecasts for the Company for the foreseeable future.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors and their interests
The names of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report are as follows:

J McConville
R Shah

Disclosure of indemnity
Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Secretary
G A Watson acted as Secretary throughout the year.

Disclosure of information to auditors
So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Re-appointment of auditors
In accordance with section 487 of the Companies Act 2006, the Company's auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

On behalf of the Board

Jay McConville

J McConville
Director
14 June 2017

Statement of Directors' responsibilities

The Directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union ('IFRS'), and which present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the Directors to:

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state that the Company has complied with applicable IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for maintaining proper accounting records which are intended to disclose with reasonable accuracy at any time the financial position of the Company. They are also ultimately responsible for the systems of internal control maintained for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of PGH (LC2) Limited

We have audited the financial statements of PGH (LC2) Limited for the year ended 31 December 2016 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statements of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Ed Jervis (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

19 June 2017

Statement of comprehensive income
for the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Revenue			
Net investment income	3	-	24.3
Profit before finance costs and tax		-	24.3
Finance costs	7	-	(18.8)
Profit for the year before tax		-	5.5
Tax charge	8	-	(0.5)
Total comprehensive income for the year attributable to owners		-	5.0

Statement of financial position
as at 31 December 2016

	Notes	As at 31 December 2016 £m	As at 31 December 2015 £m
Equity attributable to owners			
Share capital	10	-	-
Capital contributions	11	-	-
Retained earnings		-	-
Total equity		-	-
Non-current liabilities			
Long-term borrowings	12	-	-
Total non-current liabilities		-	-
Current liabilities			
Short-term borrowings	12	-	-
Current tax	13	-	-
Total current liabilities		-	-
Total liabilities		-	-
Total equity and liabilities		-	-
Non-current assets			
Investments	14	-	-
Subordinated loans – designated as equity	15	-	-
Subordinated loans – designated as loans and receivables	15	-	-
Loans and receivables	16	-	-
Total non-current assets		-	-
Total assets		-	-

On behalf of the Board

James McConville

J McConville
Director
14 June 2017

Statement of cash flows
for the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated by operations	17	-	15.8
Net cash flows from operating activities		-	15.8
Cash flows from financing activities			
Repayment of borrowings	12	-	(15.8)
Net cash flows from financing activities		-	(15.8)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

Supplementary disclosures on cash flows from operating activities

Interest received	-	33.7
Interest paid	-	13.7

Statement of changes in equity
for the year ended 31 December 2016

	Share capital (note 10) £m	Capital contribution (note 11) £m	Retained earnings £m	Total £m
At 1 January and 31 December 2016	-	-	-	-

	Share capital (note 10) £m	Capital contribution (note 11) £m	Retained earnings £m	Total £m
At 1 January 2015	90.4	127.8	50.7	268.9
Total comprehensive income for the year	-	-	5.0	5.0
Reduction in share capital	(90.4)	-	90.4	-
Dividends paid – see note 9	-	(127.8)	(146.1)	(273.9)
At 31 December 2015	-	-	-	-

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

The financial statements are separate financial statements and the exemption in paragraph 10 of IAS 27 *Consolidated and Separate Financial Statements* and section 401 of the Companies Act 2006 have been used not to present consolidated financial statements.

The results of the Company are consolidated into the accounts of the Company's ultimate parent Phoenix Group Holdings, a company incorporated in the Cayman Islands and resident in Jersey.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

The financial statements are presented in sterling (£) rounded to the nearest £0.1m except where otherwise stated.

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The area of the Company's business that typically requires such estimates is the impairment tests for investments in and loans to Group entities.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (f). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates.

Impairment of investments in and loans to Group entities

Investments in and loans to Group entities are subject to regular impairment reviews when management are aware of objective evidence of impairment. Impairments of investments in Group entities are measured at the difference between the carrying value of a particular asset and its estimated value in use. Impairments of investments in loans to Group entities are measured at the difference between the carrying value and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loans original effective interest rate. Impairments are recognised in the statement of comprehensive income in the period in which they occur. The Company's policies in relation to impairment testing of investments in and loans to Group entities are detailed in accounting policies (e) and (f) respectively.

(c) Borrowings

Interest-bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised through the statement of comprehensive income over the period of the borrowing using the effective interest method.

1. Accounting policies (continued)

(d) Income tax
Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in the statement of changes in equity, in which case it is recognised in that statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of financial position together with adjustments to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Investments
Investments are carried in the statement of financial position at cost less impairment.

The Company assesses at each reporting date whether an investment is impaired. The Company first assesses whether objective evidence of impairment exists. Evidence of impairment needs to be significant or prolonged to determine that objective evidence of impairment exists. If objective evidence of impairment exists the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount as an expense in the statement of comprehensive income.

(f) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in the statement of comprehensive income through the amortisation process.

The Company assesses at each reporting date whether a loan or receivable is impaired. The Company first assesses whether objective evidence of impairment exists. Evidence of impairment needs to be significant or prolonged to determine that objective evidence of impairment exists. If objective evidence of impairment exists the Company calculates the amount of impairment as the difference the carrying value of the loan and receivable with present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loans original effective interest rate.

(g) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement.

(h) Dividends
Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Declared dividends are those that are appropriately authorised and are no longer at the discretion of the entity.

1. Accounting policies (continued)

(i) Income recognition
Investment income comprises interest, dividends and fair value gains and losses on financial assets.

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.

Fair value gains and losses on financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. Realised gains and losses are the difference between the net sale proceeds and the original cost. Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

(j) Finance costs
Interest payable is recognised in the statement of comprehensive income as it accrues and is calculated using the effective interest method.

(k) Share capital and capital contributions

Ordinary share capital
The Company has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in the statement of changes in equity, net of tax.

Capital contributions
Capital contributions received by the Company and which contain no agreement for their repayment are recognised directly in the statement of changes in equity as a distributable reserve.

(l) Events after the reporting period
The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

2. Financial information

The financial statements for the year ended 31 December 2016, set out on pages 6 to 20 were authorised by the Board of Directors for issue on 15 June 2017.

In preparing the financial statements the Company has adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board ('IASB') and have been adopted for use by the EU. None of the following have a material effect on the results of the Company.

- Annual Improvements 2012 – 2014 cycle;
- Disclosure initiative (Amendments to IAS 1 Presentation of Financial Statements); and
- Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38).

2. Financial information (continued)

The IASB has issued the following new or amended standards and interpretations which apply from the dates shown. The Company has decided not to early adopt any of these standards, interpretations or amendments where this is permitted. The impact on the Group of adopting them is subject to evaluation:

- Disclosure initiative (Amendments to IAS 7 Statement of Cash Flows)(2017);
- Recognition of Deferred tax assets for unrealised losses (Amendments to IAS 12)(2017);
- IFRS 9 Financial Instruments (2018). In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. As the Company is dormant, the Company anticipates that the application of IFRS 9 is likely to have limited impact on the amounts reported in respect of the Company's financial statements.
- IFRS 15 Revenue from Contracts with Customers (2018). IFRS 15 establishes a single comprehensive framework for determining whether, how and when revenue is recognised. The standard does not apply to insurance contracts and financial instruments within the scope of IAS 39, and as the Company is dormant, the Company anticipates that the application of IFRS 15 in the future is likely to have limited impact on the measurement and presentation of amounts reported in respect of the Company's financial statements.
- IFRS 16 Leases (2019). IFRS 16 will replace IAS 17 Leases. The new standard removes the classification of leases as either operating or finance leases for the lessee, thereby treating all leases as finance leases. As the Company is dormant, the Company anticipates that the application of IFRS 16 in the future is likely to have limited impact on amounts reported in respect of the Company's financial statements.

3. Investment income

	2016 £m	2015 £m
Interest income on loans and receivables	-	35.1
Fair value loss		
Loss on novation of borrowings – see note 12	-	(10.8)
Investment income	-	24.3

Interest income on loans and receivables includes interest of £nil (2015: £35.1m) on loans to Group entities.

Under a sale and purchase agreement dated 27 May 2015, the Company transferred its rights and obligations under a loan agreement with PGH Capital Limited to PGH (LCB) Limited. At the date of transfer the loan carrying value was £147.8m whereas the fair value of the loan was determined to be £158.6m. The resulting £10.8m loss was recognised through the statement of comprehensive income.

4. Employee information

The Company has no employees. If any services were required, they would be provided by Pearl Group Services Limited and Pearl Group Management Services Limited.

5. Directors' remuneration

The Directors received the following for their services as Directors of the Company.

	2016 £	2015 £
Salaries and other short-term benefits	-	28,881
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	-	28,881
Share-based payments	-	19,818
Contributions to money purchase pension scheme	-	1,433
Number of Directors who are members of a money purchase pension scheme	-	1
Number of Directors who exercised share options during the year	-	2

The Directors are employed by either Pearl Group Services Limited or Pearl Group Management Services Limited.

For the purposes of this note an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group has been made based on an estimate of the services rendered to the Company.

6. Auditors' remuneration

The remuneration of the auditors of the Company, including their associates, in respect of the audit of the financial statements was £29,845 (2015: £29,845), which was borne by the Company's parent, Phoenix Group Holdings.

7. Finance costs

	2016 £m	2015 £m
Interest expense on borrowings at amortised cost	-	18.3
Amortisation of debt issue costs (note 11)	-	0.5
	-	18.8

Interest expense on borrowings at amortised cost includes interest of £nil (2015: £18.6m) on loans with Group entities.

8. Tax charge

8.1 Current year tax charge

	2016 £m	2015 £m
Current tax:		
UK Corporation tax	-	0.5

8. Tax charge (continued)

8.2 Reconciliation of tax charge

	2016 £m	2015 £m
Profit before tax	-	5.5
Tax at standard UK rate of 20.0% (2015: 20.25%)	-	1.1
Non-taxable income	-	(1.8)
Disallowable expenses	-	2.3
Recognition of previously unrecognised losses	-	(1.6)
Other	-	0.5
Total tax charge for the year	-	0.5

9. Dividends paid

	2016 £m	2015 £m
Interim dividend paid	-	273.9

On 3 June 2015, the Company paid an interim dividend of £273.9m. The interim dividend was satisfied through the transfer of loan assets to the Company's shareholder.

10. Share capital

	2016 £m	2015 £m
Issued and fully paid: 1 (2015: 1) ordinary shares of £1 each	-	-

The holders of the ordinary and ordinary shares are entitled to:

- Receive dividends, at the discretion of the directors out of the profits of the Company that are available for distribution and are in excess of the maximum preference dividends;
- On a return of capital, the assets of the Company available for distribution are applied to the preference shareholders in priority to any payment to the holders of the ordinary shares; and
- One vote and one poll vote for every share of which they are the holder.

The holders of the preference shares are entitled to:

- Receive dividends at the discretion of the directors of an amount not more than 15% of the issued price of each preference share;
- On a return of capital, the assets of the Company available for distribution shall be applied in paying to the preference shareholders first, the issued price per preference share and secondly any declared but unpaid dividends; and
- Receive notice of and attend general meetings but may not vote in respect of their holdings of preference shares.

The Company's Articles of Association contain a restriction on the number of shares that may be allotted.

On 1 May 2015 the Company converted the preference shares of £1 each into ordinary shares of £1 each. On 3 June 2015, the Company reduced its ordinary share capital to £1 through the cancellation of 90.375,000 ordinary shares of £1 each. The reserve arising on the cancellation of the ordinary shares was taken to retained income.

11. Capital contributions

	2016 £m	2015 £m
At 1 January	-	127.8
Interim dividend	-	(127.8)
At 31 December	-	-

The capital contributions have been treated as a distributable reserve with no restrictions.

On 3 June 2015 the Company paid an interim dividend of £273.9m of which £127.8m was from its capital contribution reserve.

12. Borrowings

	Carrying value		Fair value	
	2016	2015	2016	2015
Amounts due to Group entities				
(a) PIK notes from PGH (MC2) Limited	-	-	-	-
(b) £5bn facility from Impala Holdings Limited	-	-	-	-
(c) £148.7m Loan from PGH Capital plc	-	-	-	-
(d) £450.0m Loan from PGH Capital plc	-	-	-	-
Total borrowings	-	-	-	-
Amount due for settlement within 12 months	-	-		
Amount due for settlement after 12 months	-	-		

(a) The Company issued PIK notes of £154.5m to PGH (MC2) Limited ('MC2'). The PIK notes accrued interest at LIBOR plus a margin of 5.5%. The final maturity date on the PIK notes was 10 October 2015.

Under a sale and purchase agreement dated 27 May 2015, the PIK notes were novated to PGH (LCB) Limited ('LCB') for an amount equal to their carrying value.

(b) The Company entered into a £5bn facility agreement with Impala Holdings Limited ('IHL'). Interest accrued at LIBOR plus 2.94% which was payable semi-annually on 30 April and 31 October. The maturity date of this facility is 31 December 2016.

During 2015, repayments of £15.8m were made. On 27 May 2015, IHL and the Company agreed to offset the amounts due by IHL under the subordinated loans (see note 15) with the amounts due to IHL under the £5bn facility. Under a sale and purchase agreement dated 27 May 2015, balance due under the £5bn facility of £13.8m was novated to LCA for an amount equal to its carrying value.

(c) The Company entered into a £147.8m loan agreement with PGH Capital Public Limited Company ('PGHC'). Interest accrued at fixed rate of 6.15%. The maturity date of the loan is 7 July 2021.

Under a sale and purchase agreement dated 27 May 2015, the £147.8m loan was novated to LCB at a value of £158.6m.

12. Borrowings (continued)

(d) The Company entered into a loan facility with PGHC. The facility comprises a revolving credit facility ('RCF') loan of £225.0m and a £225.0m amortising term loan. Both loans are repayable on 23 July 2019 with an option to request an extension to the RCF loan by two years to 23 July 2021.

Further terms of the facilities agreement include:

- term facility repayment instalments of £30 million are due semi-annually on 30 June and 31 December each year. Additional target repayments of £30 million may be paid semi-annually on 30 June and 31 December each year from 30 June 2015;
- the term loan and the RCF loan both bear interest at LIBOR plus an opening margin of 3.55% p.a. After six months the margins will change in accordance with a margin ratchet which operates by reference to the Group's gearing ratio. Margins will reduce by 0.50% on achievement of an investment grade rating; and
- amongst other fees, a utilisation fee of 0.25% p.a. is payable in respect of the RCF loan for so long as the amount outstanding under the RCF exceeds 50% of the total commitments of the RCF loan.

Fees associated with this facility were deferred and amortised over the life of the loan in the statement of financial position. During 2015, deferred fees of £0.5m fees were amortised.

Under a sale and purchase agreement dated 27 May 2015, the loan facility and deferred fees were novated to LCB for an amount equal to their carrying value.

Nature of borrowings

	2016 £m	2015 £m
Fixed rate borrowings	-	-
Floating rate borrowings	-	-
	-	-

Determination of fair value and fair value hierarchy of financial instruments

Borrowings are categorised as Level 3 financial instruments. The fair value of Borrowings with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

There were no level 1 or level 2 financial instruments in 2016 or 2015.

There were no fair value gains or losses recognised in other comprehensive income.

13. Tax assets and liabilities

	2016 £m	2015 £m
Current tax		
Current tax payable	-	-

Deferred tax
Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

	2016 £m	2015 £m
Deferred tax assets have not been recognised in respect of:		
Tax losses carried forward	2.8	2.8

14. Investments

	2016 £m	2015 £m
Cost and carrying value		
At 1 January	-	871.6
Disposals	-	(871.6)
At 31 December	-	-

The Company held 12.5% of the £1 A and £1 B ordinary shares and 50% of the £1 C ordinary shares of Impala Holdings Limited ('IHL'), a company incorporated, and with its principal place of operation in the UK.

On 27 May 2015 the Company sold its investment in IHL to PGH (LCB) Limited for an amount equal to its carrying value.

15. Subordinated loans

	Designated as equity		Designated as loans and receivables	
	2016 £m	2015 £m	2016 £m	2015 £m
Cost and carrying value				
At 1 January	-	331.3	-	167.5
Disposals	-	(331.3)	-	(167.5)
At 31 December	-	-	-	-
Fair value				
At 31 December	-	-	-	-

The Company held subordinated loans of £498.8m in Impala Holdings Limited ('IHL'). £331.3m of the subordinated loans continued without limit of time and were treated as equity in the financial statements of the borrower. These loans accrued interest at a rate of LIBOR plus 15% per annum. £167.5m of the subordinated loans matured on 30 November 2019 and were treated as loans and receivables in the financial statements of the borrower. These loans accrued interest at a rate of LIBOR plus 11% per annum.

On 27 May 2015, the amounts due under the subordinated loan by IHL were offset against the amount owed by the Company to IHL under a £5bn loan facility – see note 12.

No loans are considered to be past due or impaired. All of the subordinated loans were due for settlement after 12 months.

Determination of fair value and fair value hierarchy of financial instruments

Subordinated loans are categorised as Level 3 financial instruments. The fair value of Subordinated loans with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

There were no level 1 or level 2 financial instruments in 2016 or 2015.

There were no fair value gains or losses recognised in other comprehensive income.

16. Loans and receivables

	Carrying value		Fair value	
	2016	2015	2016	2015
	£m	£m	£m	£m
Amounts due by Group entities				
(a) £100.6m loan to PGH (LCB) Limited	-	-	-	-
(b) £0.01m loan to PGH Capital plc	-	-	-	-
(c) £273.9m loan to PGH (LCB) Limited	-	-	-	-
Total loans to Group entities	-	-	-	-
Amount due for settlement after 12 months	-	-	-	-

(a) On 24 July 2015, the Company entered into a £100.6m loan agreement with PGH (LCB) Limited ('LCB'). Loan interest accrued at LIBOR plus a margin of 3.50%. The loan had a maturity date of 24 July 2019.

Under a sale and purchase agreement dated 27 May 2015, the loan was sold to LCB for an amount equal to its carrying value.

(b) The Company and PGH (LC1) Limited jointly granted a loan to PGH Capital Public Limited Company ('PGHC') of £10,000. The annual interest was equivalent of an amount equal to the excess, if any, of all net income, profit and gains of PGHC for PGHC's most recently completed accounting period (excluding interest payable hereunder), over £3,000. The loan is repayable on demand.

Under a sale and purchase agreement dated 27 May 2015, the loan was sold to LCB for an amount equal to its carrying value.

(c) On 27 May 2015, the Company and LCB entered into a sale and purchase agreement whereby the Company sold all of its assets and liabilities to LCB in exchange for two loans totalling £273.9m. The two loans accrued interest at LIBOR plus a margin of 2.90% and had a maturity date of 27 May 2020.

In June 2015, the rights and obligations of the Company under the loan agreements were assigned to a fellow subsidiary PGH (MC2) Limited, the assignment being satisfied through the declaration of interim-specie dividends.

No loans are considered to be past due or impaired.

Determination of fair value and fair value hierarchy of loans to Group entities

Loans and receivables are categorised as Level 3 financial instruments. The fair value of loans to Group entities with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

There were no level 1 or level 2 loans to Group entities in 2016 or 2015.

There were no fair value gains or losses recognised in other comprehensive income.

17. Cash flows from operating activities

	2016	2015
	£m	£m
Profit for the year before tax	-	5.5
Non-cash movements in profit for the year before tax in respect of:		
Interest income on loans and receivables	-	(1.4)
Interest expense on borrowings	-	4.6
Amortisation of debt issue costs	-	0.5
Fair value loss on sale of loan asset	-	10.8
Changes in operating assets and liabilities	-	(4.2)
Cash generated by operations	-	15.8

18. Capital and risk management

The Company's capital comprises share capital and all reserves. At 31 December 2015 total capital was £nil (2015: £nil).

There are no externally imposed capital requirements on the Company. The Company's capital is monitored by the Directors and managed on an on-going basis via a monthly close process to ensure that it remains positive at all times.

As the Company no longer conducts business, there are deemed to be no material business risks.

19. Related party transactions

The Company is dormant and has not traded with any related parties in the year.

Key management compensation
The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 5.

Parent and ultimate parent entity
Information on the Company's parent and ultimate parent is given in note 20.

20. Other information

The Company is registered in the United Kingdom. The Company's immediate parent is PGH (TC2) Limited and its ultimate parent is Phoenix Group Holding, a company incorporated in the Cayman Islands and resident in Jersey. A copy of the financial statements of Phoenix Group Holdings can be obtained from the Company Secretary, 1st Floor, 32 Commercial Street, St Helier, Jersey, JE2 3RU.