utmost™

GROUP LIMITED

# REASSURINGLY DIFFERENT

Annual Report 2020

## Contents



Utmost Group uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used to provide an accurate and helpful reflection of business performance.

For further information, please see page 110.

This document contains, and Utmost Group may make other statements (verbal or otherwise) containing, forward-looking statements, other information relating to future financial conditions or the performance, results and/or strategy of the Utmost Group.

For further information, please see page 114.

References to "IFRS" figures used throughout the Strategic Report reflect the basis of preparation set out on page 70, Note 2.1.

## Who we are

Utmost Group is a leading provider of insurance and savings solutions in the UK and internationally. The Group has 510,000 clients and £37bn of assets under administration across its businesses.

See where we operate on page 4

## What we do

Utmost Group is committed to making a positive difference. Our mission is to secure our clients' financial futures through the delivery of insurance and savings solutions, which result in greater prosperity for current and future generations.

Read more about what we do on page 12

## Our strategy is

Formed along clear lines focused with four key priorities:

- delivering good client outcomes;
- completing further strategic acquisitions;
- growth through new business of Utmost International; and
- delivering synergies in our operating businesses.

We put sustainability front and centre of all that we do.

How do we achieve our strategic goals? See page 16

We are dedicated to making a positive difference, building a brighter future for our clients and better serving all stakeholders.

We are driven by a desire to be the leader in our markets.

Our strong reputation has been developed through our honesty, integrity and staying true to our word.

When you make a commitment, you build hope. When you keep it you build trust.

REASSURINGLY DIFFERENT

# 2020 at a glance

## OVERVIEW

Utmost Group is a leading provider of insurance and savings solutions. The Group has grown through the consolidation of life assurance businesses in the UK and internationally which were previously owned by major insurance groups.

£37BN
Assets under administration

510,000
Clients

960
Employees

3
Core businesses: utmost WEALTH SOLUTIONS, utmost LIFE AND PENSIONS, utmost CORPORATE SOLUTIONS

## GROUP REORGANISATION

The Utmost Group has been operating since 2013, previously as two separate groups: Utmost International Group Holdings and Utmost UK Group Holdings. In October 2020, the Group underwent a reorganisation which resulted in the Group's two businesses being brought together under a single UK holding company, Utmost Group Limited.

See more about what we do on page 12

The Prudential Regulation Authority ("PRA") is the Group's Supervisor, although the International businesses are also regulated locally in the jurisdictions in which they operate. Further detail on the Group's regulatory obligations is available on page 50.

Following completion of the reorganisation, the International life insurance entities have retained Insurer Financial Strength Ratings of 'A', and Utmost Group Limited has been assigned an Issuer Default Rating of 'BBB+' by Fitch.

## INTERNATIONAL BUSINESS
**2021 HIGHLIGHTS**

- Announced the acquisition of Quilter International

**2020 HIGHLIGHTS**

- £30bn AUA
- Robust new business sales of £1.8bn in 2020
- Launch of new propositions in Singapore and Portugal
- Focus on digitalisation with enhancements to the online service portal
- Key hires including a Head of Propositions and a Head of Sales for Asia

## UK BUSINESS
**2020 HIGHLIGHTS**

- £7bn AUA
- Completion of the Equitable Life acquisition and efficient completion of the integration into Utmost Life and Pensions
- Delivery of good client outcomes demonstrated by the conversion of existing with-profits policies to unit-linked with clients being given a one-off 75% uplift
- Launch of new unit-linked fund range with our strategic partner, J.P. Morgan Asset Management, and launch of the drawdown product to existing ULP clients

# A well-established business

## 2021

**February 2021**
Launch of the Utmost Group Sustainability Strategy

**April 2021**
Announced the acquisition of Quilter International

## 2020

**January 2020**
Completion of Equitable Life acquisition by Utmost Life and Pensions. Launch of new unit-linked fund range

**March 2020**
Launch of Utmost Life and Pensions drawdown proposition

**June 2020**
Integration of the Equitable Life business into Utmost Life and Pensions completes

**September 2020**
Utmost International launches new products for the Portugal and Singapore markets

**October 2020**
Group supervision by the PRA commences, following completion of the Group reorganisation to bring the Utmost International and Utmost Life and Pensions together under a single UK holding company, Utmost Group Limited

Relaunch of Utmost International website, providing clients and partners with a single source of information about the Utmost International business

Fitch awards an Issuer Default Rating of 'BBB+' to Utmost Group Limited

## 2019

**February 2019**
Generali Worldwide acquisition

**February 2019**
Entire group rebrand to Utmost, introducing the Utmost International and Utmost Life and Pensions names

**June 2019**
Fitch awards Insurer Financial Strength ratings of 'A' to the Utmost International life insurance entities[1]

## 2018

**April 2018**
Reliance Mutual Insurance Society Limited demutualisation and acquisition

**June 2018**
Generali PanEurope acquisition

**December 2018**
Athora Ireland's international investment bond business acquisition

## 2017

**2015–17**
Completion of seven further acquisitions including Aviva Life International and Augura Life Ireland

## 2016

**October 2016**
AXA Isle of Man acquisition

## 2015

## 2013

The Group was founded

1. Utmost PanEurope DAC, Utmost Worldwide Limited, Utmost Limited

# A truly global footprint

The Group's central functions operate from the London office where the Group CEO and CFO are based.

Utmost International's core markets are the UK, Europe, the Middle East, Asia and LatAm. The business has regulated insurance companies in the Isle of Man, Ireland, Guernsey, branches in Singapore, Hong Kong and a distribution office in the Dubai International Finance Centre ("DIFC").

Utmost Life and Pensions is a consolidator of UK life and pension books of business. Acquisitions are at the cornerstone of ULP's strategy. Its clean execution and completion of acquisitions and efficient integration activity positions ULP well for future M&A activity.


**Core Markets:**
UK, Europe, the Middle East, Asia and LatAm

510,000
Policyholders

960
Employees

3
Strong brands

Key Corporate Centres:
1. Ireland
2. Isle of Man
3. Guernsey
4. UK

Branch/Sales offices:
5. Hong Kong
6. Singapore
7. Dubai Sales Office
8. Switzerland
9. Continental Europe
10. Bahamas

# Utmost Group Operational Structure

Utmost Group has been assembled through the acquisition of life assurance businesses that were previously owned by major insurance groups. Uniting them under a common strategy and achieving significant synergies has created a financially and operationally robust insurance group that is strongly positioned to win new business.

Utmost Group is a leading provider of insurance and savings solutions. It was formed through the consolidation of life assurance businesses, with an unquestionable track record of executing, completing and integrating acquisitions. Utmost Group provides modern, flexible solutions which assist our clients in securing their financial futures. The Group pursues attractive growth opportunities in order to achieve sustainable, strong returns for our investors.

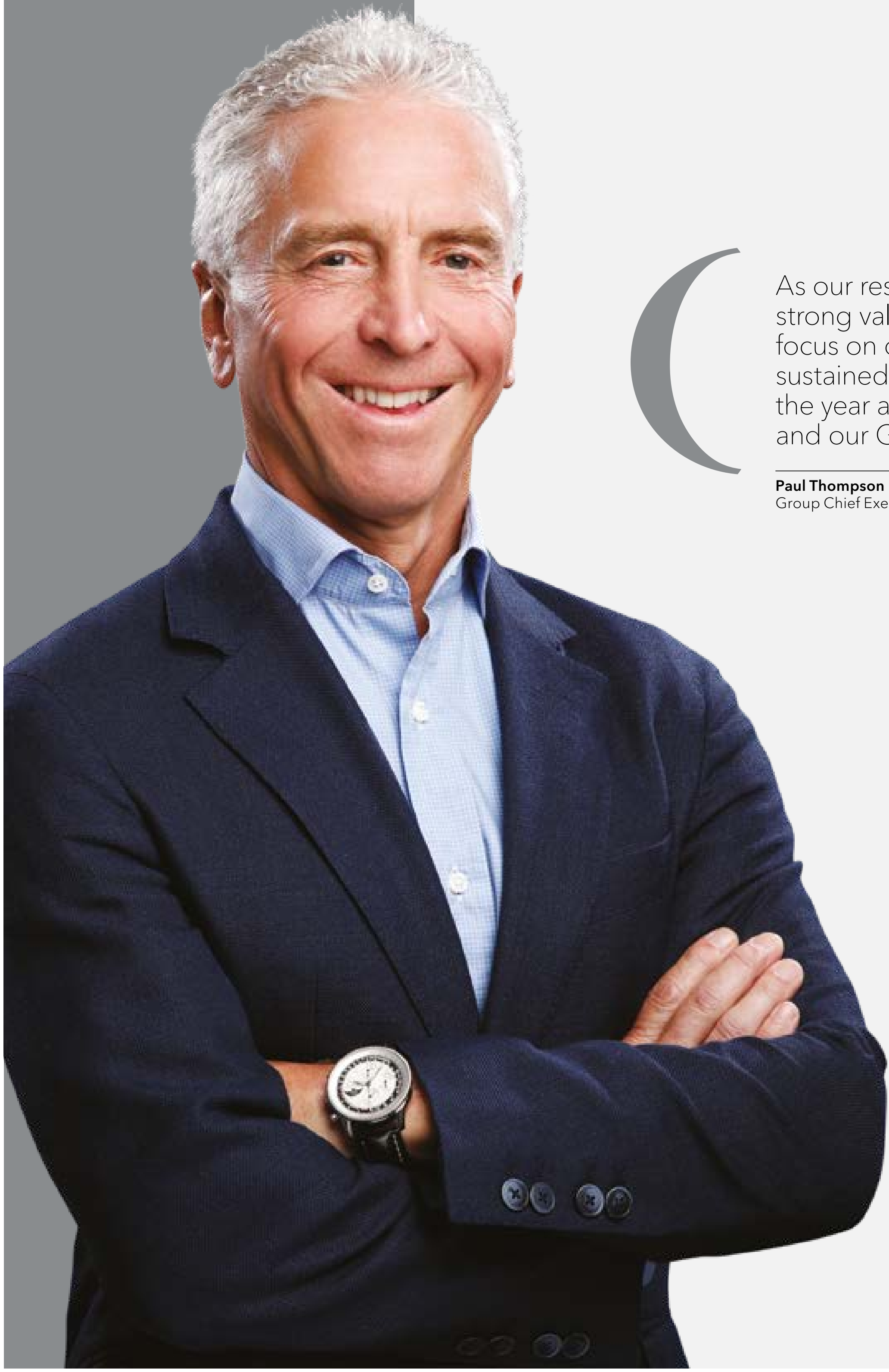

**Utmost International** is a leading international life assurance business which provides insurance solutions to help preserve our clients' wealth and safeguard it for future generations. Utmost International serves two attractive global markets through its principal businesses, Utmost Wealth Solutions (UWS) and Utmost Corporate Solutions (UCS).

**Utmost Wealth Solutions** is a leading provider of wealth solutions through the use of unit-linked life assurance products. Our clients are High-Net Worth individuals who are based in a wide range of jurisdictions globally. Our propositions provide effective and reliable solutions for clients who wish to control the wealth they have accumulated and manage the proceeds when planning succession.

**Utmost Corporate Solutions** provides employee benefits including life cover, income protection and critical illness cover to its corporate clients to protect their employees. UCS specialises in the provision of benefits to multinational corporations with employees in multiple jurisdictions.

**Utmost Life and Pensions** is a consolidator of UK life and pensions books of business. ULP provides a safe home for its policyholders due to its strong capital position and efficient operational management. ULP has experience across all product types. It is focused on unit-linked solutions and it also provides annuity and with-profits solutions. Its products support our clients' journeys to and through retirement. ULP's focus on proposition development enables it to improve outcomes for clients. The business continues to seek out attractive acquisition targets which fit within the Group's qualitative and quantitative M&A framework.

# Strategic Report



> As our results for 2020 demonstrate, our strong values, adaptability and continued focus on our long-term vision have sustained our momentum. We anticipate the year ahead will be a period of growth, and our Group is ready.
>
> **Paul Thompson**
> Group Chief Executive Officer

The pandemic which swept the world and introduced considerable uncertainty has put our strategy to the test. Our teams have risen to the challenge, demonstrating their commitment and resolve. As our results for 2020 demonstrate, our strong values, adaptability and continued focus on our long-term vision have sustained our momentum. We anticipate the year ahead will be a period of growth, and our Group is ready.

### Resilience

2020 has been an unparalleled year, introducing unforeseen challenges in both our personal and professional lives. Our priority as a business was to protect the health and safety of our employees, our partners and our clients. Our sympathies are with those whose lives have been impacted as a result of the crisis whether through the loss of a loved one, financial difficulties or mental health consequences.

Our mindset as the effects of the crisis became apparent was one of resilience. I am proud to say the Group has faced the crisis with remarkable spirit and the commitment of our teams has been resolute. Our immediate actions were to mobilise our teams, taking effective measures to move to a safe working environment. I was pleased with the efficiency with which our teams adapted to the new measures, maintaining unfaltering client service and operational resilience.

Our Group was able to withstand the situation thanks to a combination of strengths; the business and geographical diversity of our Group, which has been an important priority of mine whilst building the business, extending our reach across continents and helping cushion the Group from shocks as the crisis spread across regions; our robust balance sheet and conservative financial management, which has helped sustain the Group through a period of volatility and uncertainty; our focus on client service and modern and flexible product range, meaning we were there to serve our clients who expect a committed partner and provide solutions which are attractive throughout market cycles; and the diversity and depth of talent in our organisation – our teams have acted in line with our strong culture and values displaying a sense of responsibility and agility which has proven indispensable.

### Corporate Development

2020 was a pivotal year in our journey. Our Utmost International and Utmost Life and Pensions businesses were reorganised into a single Utmost Group, with one strategy and one brand. The reorganisation unifies the strategy of the Group and enables us to further simplify and integrate our business.

A highlight early in the year was the completion of the Equitable Life business transfer, adding £6bn to our assets under administration. The deal bolsters the Group's standing in the dynamic UK life segment and we were pleased to welcome Equitable Life and their talented employees to our Group.

In April 2021, I was proud to announce the proposed acquisition of Quilter International. This is a business which we have admired for some time. Its acquisition brings additional scale, skillsets and cash flows to Utmost International, creating an enlarged international business with enhanced growth opportunities. It is highly complementary to our existing international business from an operational, product and distribution perspective and the acquisition is in line with our growth strategy.

Notwithstanding the growth momentum of the Group, we remain disciplined and apply our strict financial and operational metrics to all acquisition activity. 2020 saw elevated levels of M&A activity in the market, with some deals being executed at prices which would not meet our targets. We remain patient and selective on how and where we deploy our capital. We are fortunate to have the support of our majority shareholder, Oaktree, whose long-term support enables us to develop our proposition for clients and pursue strategic opportunities as they arise.

### Leading International Franchise

Utmost International has been built through the acquisition of international life assurance businesses which were previously part of large insurance groups.

By bringing them together under a common strategy and through the focus and dedication of our teams on building a market-leading proposition, Utmost International is recognised as a leader in the industry.

I am proud of the work of our teams to embed our brand and its values with our partners and our clients. This has been recognised with record flows in 2020 of £1.8bn with associated assets under administration of £30bn. An achievement particularly remarkable given the operational impact of the pandemic.

2021 will see the addition of Quilter International. Quilter International will significantly bolster the Group's standing in the international life assurance market. The acquisition unlocks greater organic growth opportunities and strengthens our geographical footprint outside of our home market, including in key growth markets in Europe, Asia, LatAm and the Middle East. As a part of the Quilter International integration, we will ensure that a unified proposition is available to clients under the Utmost brand.

We believe the demand for wealth solutions is stronger than ever. The geographical footprint of our Wealth Solutions business and modern, flexible product set position us to take advantage of the fundamental growth trends in this market.

An important stream of our product development work focuses on the shifting regulatory environment, and we continually and proactively review the suitability of our product set and charging structures to ensure good client outcomes and value for money.

In a year which saw household finances put under strain, I was pleased our clients continued to turn to our solutions to protect and preserve their wealth. As a Group, we remain focused on ensuring we provide the greatest level of security and service to our policyholders.

### Advancing in the UK

Our Life and Pensions business was transformed in 2020 with the completion of the Equitable Life business transfer. The combined business administers £7bn on behalf of 380,000 clients. Board and senior management appointments have strengthened the leadership of the business which will support its future growth.

As a part of the Equitable Life deal, transferring with-profit policies were converted to unit-linked policies. In-scope policyholders received a one-off uplift of at least 75%, compared to the existing 35% bonus that was being offered on with-profits business with guarantees.

This, alongside the launch of a modern, sophisticated multi-asset fund range with our asset management partner, J.P. Morgan Asset Management ("JPMAM"), delivered good outcomes to our clients in line with our strategic goals.

The business transfer adheres to our strict deal criteria which include geographical and product fit, opportunities for synergy creation and an attractive price to generate a compelling return for our investors.

Prudent risk management ensured a phased transition of client money from the legacy with-profit policies into the new unit-linked fund range over the first half of the year. Transferring clients were shielded from the market turmoil of H1 2020 which protected their policy values.

Although the underlying guarantees were removed from Equitable Life clients as a result of the business transfer, I am pleased to report that we have retained the vast majority of individual clients with a retention rate in line with our long-term assumptions. We have seen that trend continue into 2021.

A key focus for the year was the integration of the Equitable Life business into ULP's operating model. The integration was successfully managed against a background of significant uncertainty driven by the Covid-19 pandemic and the requirement to adapt our working practices. As a result of the integration, ULP has significantly reduced its cost base run rate by 37% with a similar reduction in staff during the year, resulting in a much more efficient operating model going forward.

As a closed book consolidator, managing expenses is critical to the success of ULP. A key part of the ongoing strategy will be to find further opportunities to improve the Company's efficiency and reduce costs in an appropriate and controlled manner.

ULP's business model relies on continuing to obtain and efficiently integrate a steady stream of acquisitions. ULP remains in a strong and resilient position, able to meet its capital requirements and ready for the next acquisition.

### Permanent Commitment to our Clients

Core to our values is a permanent commitment to deliver good outcomes to our clients. Our mission remains to build brighter futures for our clients and support them in creating strong financial futures. The value of having trusted partners was evident throughout a challenging year when market volatility was heightened, and economic uncertainty reigned bringing concerns over personal wealth to the forefront.

Over the longer term, projected population ageing in our society has far-reaching implications. There is an increased requirement for individuals to provide for their own retirement. Our business is particularly sensitive to the relevance, needs and consequences of an ageing global population and our solutions help support individuals in saving for their own retirement.

### Operations and Technology

Our IT teams did an excellent job mobilising our staff for home working and modifying our processes and controls. The nature of our client engagement changed in 2020; meetings with advisers moved from physical to virtual and our service evolved accordingly. With this in mind, we adapted our processing to be fully online, removing physical processes while maintaining security. Our people have done an excellent job adapting to the new environment and providing uninterrupted client service. The adaptations made during the year as a result of social distancing will build ongoing benefits into our processing.

The pandemic highlighted the competitive edge that digital platforms provide when it comes to the distribution of products and services. As face-to-face interaction became impossible, our strong digital capabilities and readiness positioned us to deliver seamless advice and service. Digitalisation is a core area of focus for the Group as we look to aid client access and create an efficient user experience. We will look to balance the use of technology with the personal approach needed to solve complex client problems, especially in the Ultra-High Net Worth ("UHNW") and succession planning space.

### Sustainability

Our long-term success depends not only on the Group's business model and strategy, but also on our commitment to sustainability and corporate citizenship. Our role as a custodian of our client assets means staying attuned to their preferences and keeping our finger on the pulse of emerging trends. Our sustainability strategy introduced initiatives to champion the environment and diversity, in line with our values to make a positive difference.

Our commitment to good client outcomes has extended to making commitments to protect the environment and make a positive difference in our communities and society. The Group takes its social responsibilities seriously and promotes diversity and inclusion in our own organisation. I expect to achieve a number of key milestones in 2021 across each of the pillars of our sustainability strategy as we put this at the heart of our organisational agenda.

The Group has a commitment to invest responsibly, and we have implemented some key measures to integrate Environmental, Social and Governance ("ESG") factors throughout our investment process. One key achievement is the inception of our ESG investment policies. Going forward, the Group will measure the ESG scores of our shareholder assets with strict criteria around the ESG risk within each portfolio. Within our guided fund ranges, the Group will only work with investment managers who are signatories to the UN Principles for Responsible Investment ("UN PRI") and who comply with their industry leading framework for the measurement and reporting of ESG issues and their framework for the stewardship of assets. We have introduced criteria for the funds in our guided ranges and are excluding those funds which incorporate the most ESG risk.

Climate change is one of the most significant risks which the world faces and we must all take action to tackle it. Utmost Group is committed to reducing and minimising the environmental impact of our operations and embedding a sustainable mindset into our corporate philosophy. I was pleased to commit to having a net zero carbon emissions operational footprint within five years and our Sustainability Working Group are identifying the most effective means to implement this. We are introducing supplier best practices, and within our supply chain we look to work with select organisations which operate in line with our corporate philosophy and help us deliver our long-term vision.

I was proud of the ongoing charity and community work carried out by our employees through the year. Their energy and enthusiasm is admirable. To support their efforts we have introduced a volunteering policy across the Group enabling our all employees to take one working day of paid work time out of the office to support community volunteering.

### Culture and Values

Our people have worked commendably in trying circumstances. They have demonstrated the values of the Group and I would like to thank them for their dedication and commitment. As a result of their motivation, attention to detail and collaborative spirit, the Group has entered 2021 with the confidence to pursue a significant acquisition in Quilter International. The crisis has made clear that our strong values run through the entire Group, driving our performance as we pursue our long-term vision.

One of the major issues of our time is a desire for greater diversity and inclusiveness. Our culture values difference and we look to our employees to embody our ethos of making a positive impact. We are committed to a policy of equal opportunity for our employees and continue to select, recruit, train and promote the best candidates based on suitability for the role. For the first time this year, we measured gender diversity across the Group. I was pleased with the high proportion of women in our senior management, with 36% at Q1 2021. There is more for the Group and society to do on this issue, and it is a priority for us to build on our progress in 2021.

### Forging Ahead

We stand now in 2021 with the anticipation of a recovery and ready to welcome Quilter International to our Group. The full impact of the pandemic from a societal and economic perspective is still emerging, however the Group remains well positioned in markets with long-term growth prospects.

Our long-term success depends in part upon our robust business model. Through the crisis, our strategy has been tested and has proven its worth. The crisis has shown that client demand for our products is strong and we stand ready to support our clients throughout generations.

Our ambitions are considerable, and we will continue to pursue our strategy focused on developing our businesses. In the near term we are encouraged by the flows in the early months of 2021 and the hope brought by vaccines, however, the external environment remains challenging. We are ready to seize the opportunities that present themselves in the anticipated period of recovery ahead, whilst remaining vigilant with a keen focus on risk management. Driven by the agility of our teams, their entrepreneurial spirit and building on our momentum, Utmost Group enters 2021 with cautious confidence and ready to forge ahead.

**Paul Thompson**
Group Chief Executive Officer

## Our Business Model is underpinned by our strengths

### Acquisition expertise

### Integration

### Financial Stability

### Proposition

### Sustainability

## What we do

We are a leading provider of insurance and savings solutions and experts in consolidating businesses to create value for our stakeholders. We provide modern, flexible solutions to help our clients to secure their financial futures.

## Utmost International

Our scale and technical expertise enable us to provide solutions to meet our clients needs. Our leading positions in the UK, Europe, the Middle East, Asia and LatAm enable us to benefit from the fundamental growth trends in our markets and capture an increasing share of the market.

Our policies are robust and globally recognised, supporting long-term client and adviser relationships.

### Client

Our clients want to protect and pass on the wealth they have accumulated through robust, tax efficient solutions with flexibility around the underlying investment strategy

**Who?**
Affluent, HNW and UHNW Individuals

**What's important?**
Outstanding Service, Reputation, Financial Stability, Value for Money

### Advisers

Advisers support our clients in finding the best solutions for managing their wealth

**Who?**
Private Banks, IFAs, Wealth Managers

**What's important?**
Strength of proposition: technical expertise, service, provider reputation, financial stability, Value for Money

### Our Solutions

Unit-linked life assurance solutions which help our clients to achieve their goals

Simple, tax efficient products which are robust, globally recognised and regulated solutions

Our policies are portable; clients can retain the benefits of their policies whilst moving between locations

**What do we offer?**
Unit-linked Insurance Policies

**How do we earn our fees?**
- Initial Fees
- Annual Management Charges ("AMCs")

### Investment Options

Our sophisticated platform provides access to a wide range of asset managers, asset classes and custodians

Clients can tailor the investment strategy to their own risk/return objectives

**Investment Options:**
Open and Guided Architecture, Discretionary Fund Manager

**How is this achieved?**
Advisers and clients have access to a range of funds, single share and public and private assets

## How we do it

The UGL business model supports the delivery of our strategic goals and helps us achieve our vision to build a brighter future for our clients and stakeholders.

Across our two operating segments, International and UK, we have expertise across a range of insurance and long-term savings solutions with investments tailored to deliver suitable client outcomes.

### Utmost Life and Pensions (UK Business)

ULP provides life and pensions products to help secure our policyholders' financial futures. We do this through our trusted sector expertise, secure financial foundations and client focus.

The majority of the business is in capital-light, unit linked policies.

The business has a strong focus on excellent client service, especially to provide appropriate support to vulnerable clients. It is strongly capitalised to provide security to our clients and managed in an efficient, cost effective manner. ULPs leading position in the UK life and pensions market positions it well for future growth via acquisition.

#### Client

Our policyholders are saving for their long-term financial futures

**Who?**
Long-term savers, and retirees

**What's important?**
Financial stability, client service

#### Our Solutions

**Unit-Linked**
Unit-linked life assurance solutions which provide a long-term savings vehicle for our policyholders

**Annuities**
Annuity products which provide a regular, secure income to our clients in their retirement

**How we earn our fees**
- AMCs
- Investment Returns

#### Investment Options

Policyholders select their investment strategy from a range of underlying investment funds, designed by our strategic asset management partner, JPMAM

An Investing by Age default option is available for clients who require assistance with their choice which supports the delivery of good outcomes

Annuity assets are invested in high quality, fixed income assets

## Value we create for our stakeholders

**Clients**
Optimised Client Outcomes
See p17

**Investors**
Sustainable, strong returns

**Employees**
Fulfilled, motivated and set up to succeed

**Regulators**
Work collaboratively with our regulators and ensure high standards are upheld

**Environment**
Reduce our environmental impact

**Community**
Support our local communities

## Deploying our expertise in uncertain times

At the start of 2020, little did we foresee the pandemic that has swept through the world and disrupted life as we knew it. Yet many of the trends that we had witnessed in prior years have remained. Some have taken on even greater relevance. One such trend is sustainable investing. The demand for sustainable investments has only gone up. The pandemic has driven insurers to accelerate their digital transformation journey. In the wake of the pandemic, and the debate around tax rises to rebuild post-Covid-19 public finances, client and adviser demand for robust and well-recognised insurance and savings solutions is at an all-time high. Utmost Group will continue to deploy its expertise to safeguard our clients' assets.

Source:
1. World Wealth Report 2020, Capgemini Research Institute
2. Opimas Report, ESG Data Integration by Asset Managers: Targeting Alpha, Fiduciary Duty & Portfolio Risk Analysis
3. ONS Report: Coronavirus and homeworking in the UK: April 2020
4. IMF Datamapper: Real GDP Growth
5. National Audit Office: Covid-19 Cost Tracker for measures announced on or before 6 December 2020
6. GlobalData Deals Database

### Sustainability

41%

HNWI plan to allocate 41% of their portfolio to Sustainable Investment ("SI") products by the end of 2020 and 46% by the end of 2021[1].

Overview

Environmental challenges are leading to increased complexity in the financial services industry. Sustainable investing has rapidly grown and evolved over the past few years, with the value of global assets applying ESG data to investment decisions almost doubling in four years to reach $40.5tn in 2020[2]. The pandemic has bolstered interest in sustainable products with HNWI viewing them as sound, less risky investments in disruptive times. Environmental change, greater client awareness, and regulatory changes have heightened investor preference for sustainable investments. Clients and their advisers are demanding more data around sustainability for comprehensive investment decision-making.

Social sustainability is gaining ground and driving insurers to evaluate their corporate engagement with all stakeholders including employees, suppliers, and society in general.

Utmost Group is dedicated to making a positive difference. In order to continue to meet the needs of clients and attract investors who share our long-term philosophy – as well as it being an overall good – sustainability has become central to our strategy. Our sustainability strategy supports our vision by delivering positive benefits to our stakeholders and embedding sustainability across our business.

Our sustainability strategy is framed along four pillars: client outcomes, responsible investments, environmental impact and engagement in our community. These are set out in detail on page 22. Our Group CEO has overall accountability for the delivery of our sustainability strategy, which is implemented by our Sustainability Working Group which includes senior representatives from across the business, and ensures we do business in the right way. As regulations and client expectations evolve, our strategy will be regularly revisited in order that we maximise our positive impact.

### Technology

47%

of adults in employment were working from home as a result of the social distancing measures in the UK, especially in occupations requiring higher qualifications and more experience[3].

Overview

The global health crisis caused disruptions and service delivery disconnects across the value chain to create an urgent imperative to accelerate digitalisation efforts. As face-to-face interaction became impossible, firms with strong digital channels and readiness were positioned to deliver seamless advice and service. A shift to remote working and changing client expectations intensified the importance of the digital transformation throughout the insurance value chain. As demand for financial advice and solutions heightened in the pandemic, firms had to re-evaluate their ability to digitally engage with clients. The pandemic highlighted the competitive edge that digital platforms provide when it comes to the distribution of products and services. The challenge is to integrate the use of technology, with the personal approach needed to solve complex client problems, especially in the UHNW and succession planning space.

Digitalisation is a key focus for Utmost Group. In 2020, the new Utmost International website was launched to guide clients to relevant products, services, and fund information as well as a range of helpful tools and resources. Utmost Group will continue to look to enhance our digital presence to aid client access and create an efficient user experience.

## Wealth trends

# 3.3%

Drop in Global GDP in 2020[4].

### Overview

The economic impact of Covid-19 is both unprecedented and far-reaching. There is little doubt that the pandemic will exacerbate inequality and is particularly affecting groups and sectors that were already under significant stress, namely minority groups, the young and those working in the informal sector.

The level of Government-funded economic support for individuals and businesses around the world is truly unprecedented. So too is the cost. In the UK, it is estimated the Government spent £271bn[5] on measures to fight Covid-19 and its impact on the economy during 2020. To cover the cost, it is likely there will be structural reforms to the way tax is applied to businesses and individuals. This could be structured as reforms to capital gains tax, inheritance tax, corporation tax, pensions reform or a wealth tax.

The need for, and value of, expert planning solutions has never been greater with clients and advisers looking for simple, accessible solutions. There is high demand for robust and non-controversial tools to aid clients in preserving and passing on their wealth, whilst maintaining their obligations to society.

Our solutions enable our clients to maintain security over the wealth they have accumulated and control over the proceeds passing to future generations. Our solutions utilise available reliefs and deductions in line with tax legislation enabling clients to achieve tax mitigation. The scale and resources of Utmost Group afford us greater reach in supporting our clients today, and for the generations to come.

## Competitive landscape

# £132BN

2020 Announced European Financial Services M&A Volumes, up from $80bn in 2019[6].

### Overview

Structural changes to the industry are being driven by new technology, changing value chains and evolving client demands. For Utmost Group to continue to thrive, we will further enhance the transformation effort with a mindset that accentuates client value.

Technology has enabled clients to be more modular, buying products from multiple product providers. Insurers must adapt to continue to attract new business. Clients increasingly expect personalised service with the availability of online servicing alongside in-person support. Utmost Group has put digitalisation at the core of its operational agenda, with Covid-19 accelerating the shift to the firm of the future.

Individuals face increased responsibility to save for their own retirements. In spite of the financial pressures caused by the pandemic, household savings rates rose during the pandemic with consumers signalling strong intentions to maintain healthier savings habits in future. Resilience, accessibility and adaptability will be the watchwords going forward. In the face of increasingly complex reporting, inheritance, and pensions rules, Utmost Group sees a consistent and strong demand for personalised and tailored solutions alongside technology-driven savings platforms. Utmost Group's scale and expertise enables us to develop our proposition to meet client needs whilst delivering operational and servicing excellence.

2020 was an active year for M&A, the busiest since 2015, with some high profile UK and European insurance deals, and continued interest in the insurance sector from strategic and financial sponsors alike. 2021 is expected to be another active year, as insurers redeploy capital in areas of strategic focus and determine which parts of the value chain they wish to compete. The removal of the tail risk around Brexit combined with relative undervaluation for UK financials should mean continued interest for UK assets. Utmost Group is well positioned to take part in this activity, with ready access to capital and a strong balance sheet.

## Our strategic objectives

**Utmost Group has set clear strategic objectives for its businesses in order to:**
– Provide appropriate insurance and savings solutions which deliver good outcomes.
– Maintain our position as a leading consolidator for the life insurance market.
– Enhance our financial and operational performance which supports the delivery of sustainable, strong returns for our investors.
– Make a positive difference by operating as a sustainable business.

**To achieve its strategic objectives, the Group is focused on the delivery of its four strategic pillars:**

1. Good Client Outcomes
2. Growth through Acquisitions
3. Organic Growth
4. Delivery of Synergies

> Our ambitions are considerable, and we will continue to pursue our strategy focused on developing our businesses.

## 1.
## Good Client Outcomes

- Utmost Group was founded on the belief that all stakeholders are better served as part of an active and growing franchise.
- Good client outcomes remain front and centre of our strategy. Our overall purpose is to build a brighter future for our clients and better serve all stakeholders.
- Utmost Group focuses on helping our clients preserve their wealth and safeguard it for future generations. Client confidence in our business is recognised through our strong new business figures and our high retention rates of both existing and transferred policyholders.
- The Group works closely with its distribution partners to provide technical support and develop innovative new products which meet our clients' needs.

**Linked KPIs**

| |
|---|
| Assets under Administration ("AUA") |
| Annual Premium Equivalent ("APE") |
| Client Retention |

**Progress during 2020**

- Throughout the pandemic, household savings rates increased and there was a renewed focus on wealth preservation across all market sectors and groups.
- UWS client retention was high at 95%. Positive feedback was received about the service and responsiveness levels during a period of great uncertainty.
- Equitable Life's with-profits policies were converted to unit-linked policies and investment guarantees were removed. Policyholders received a one-off uplift of at least 75% compared to the existing 35% bonus that was being offered on with-profits business with guarantees.
- Development of a new unit-linked fund range for ULP policyholders in conjunction with our strategic partner, JPMAM.
- High retention rate of ULP policyholders in spite of pent-up demand from ELAS policyholders following the completion of the ELAS business transfer.

**Outlook**

- Maintain a high level of service with low levels of client complaints.
- Communicate transparently with clients and provide excellent service levels.
- Develop our sustainability strategy to maximise the positive impacts we can create including providing additional sustainable investment options for clients.

**Case Study**

## Digitalisation

Digitalisation is a core focus for the Group. The newly designed Utmost International website was launched in October 2020, which provides clients and partners with a single source of information about the Utmost International business lines; UWS and UCS. The new site makes information about our solutions and thought leadership easily accessible to them and provides a comprehensive overview of the Utmost International business.

As a part of the website project, the functionality and accessibility of the online service centre was addressed. A new client support area was launched which guides clients to relevant products, services and fund information as well as a range of helpful tools and resources.

The ongoing enhancement of our digital presence to aid client access and create an efficient user experience will form a core part of the Group's ongoing strategy.

## 2.
## Growth through Acquisitions

- Utmost Group intends to add scale to our International and UK operations and looks to execute transactions which meet our strict deal criteria.
- The management team has a demonstrable track record in sourcing and executing complex deals and the efficient and timely completion of these deals.
- Through our shareholders, the Group has readily available access to significant capital. Our low leverage ratio enables headroom to support the financing of future deals.

| Linked KPIs |
| --- |
| Assets under Administration ("AUA") |
| Operating Profit ("OP") |
| Solvency II Economic Value ("SII EV") |

**Progress during 2020**

- The insurance M&A market saw healthy levels of acquisition activity in 2020 and generally high valuations paid for targets in the UK and International space.
- Our belief is sellers' desires to sell businesses or portfolios remains, in order that they can release capital and redeploy this in core areas of their business.
- Our expertise was demonstrated in 2020 with the completion of the Equitable Life transaction. This was a complex transaction with a high degree of regulatory oversight and policyholder interest.

**Outlook**

- We expect the pace of M&A activity to increase as a result of Covid-19, as insurance companies look to free up capital by divesting non-core and closed businesses and reduce their balance sheet risk.
- The operating and regulatory environment creates high barriers to entry in the insurance consolidation space.
- Utmost Group is well positioned with shareholder support, experience completing complex transactions and ready access to capital to continue with its acquisition strategy.
- The Quilter International acquisition will bring additional scale, skillsets and cash flows to the Group, creating an enlarged business with £59bn of assets under administration and 600,000 clients on a pro-forma basis, enhancing further growth opportunities for the Utmost Group.


**Case Study**

## Quilter International

In April 2021, the Group announced the proposed acquisition of Quilter International. Quilter International will become a part of Utmost International.

On a pro-forma basis including Quilter International, Utmost Group is expected to manage £59bn of assets under administration, 600,000 policies and would have written over £330m APE of new business in 2020, making it a leader in the industry.

Quilter International's diversified business footprint and distribution network across the UK, Europe, the Middle East, Asia and LatAm, with branches in Singapore and Hong Kong and a distribution office in the DIFC, will complement and strengthen Utmost International's existing position in these attractive markets, where Utmost International sees strong, continuing demand for wealth solutions for HNW and UHNW clients.

Quilter International will be merged with Utmost International's operations in the Isle of Man, Ireland, UAE, Singapore and Hong Kong. There will be a single suite of products under the Utmost International brand soon after completion of the acquisition.

The acquisition met Utmost Group's strict deal criteria including an attractive price which, in combination with our integration strategy, enables us to meet our targets.

The Group retained its balance sheet strength, maintaining a conservative leverage ratio and a strong Solvency Coverage Ratio.

Subject to regulatory approvals, completion of the acquisition is expected by the end of 2021.

## 3.
## Organic Growth

- The Group prioritises organic growth in its open business, Utmost International.
- Organic growth has been resilient in the face of recent corporate activity and challenging market conditions.
- The growth strategy focuses on enhancing the existing product range through investing in new products and expanding our offering in the UHNW segment.
- We are expanding our presence in key strategic markets.

**Linked KPIs**

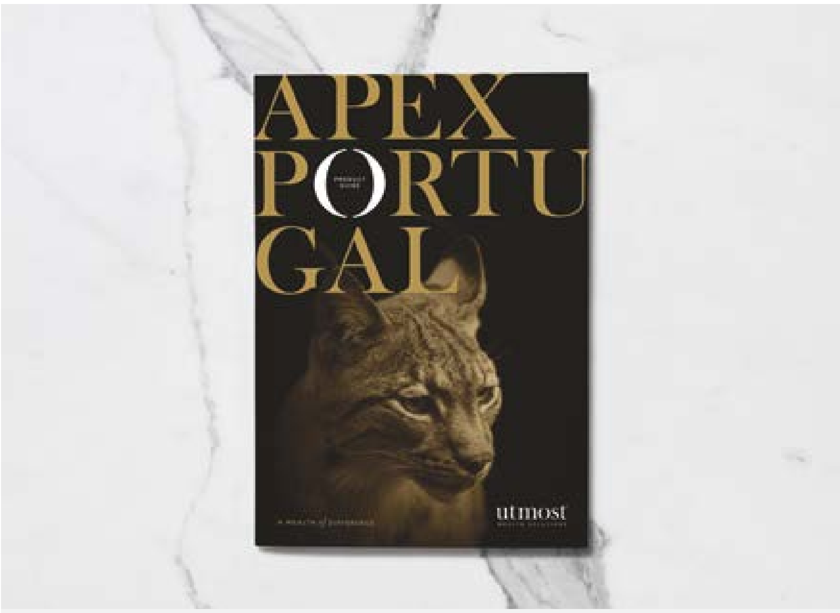
| |
|---|
| Annual Premium Equivalent ("APE") |
| Assets under Administration ("AUA") |
| Value of New Business ("VNB") |
| Operating Profit ("OP") |
| Solvency II Economic Value ("SII EV") |

**Progress during 2020**

- Utmost International gross flows were strong year-on-year as the brand became firmly established in its markets.
- Utmost International was panelled for a greater number of advisers than ever before.
- Demand from advisers is high for robust solutions which are recognised and regulated on a global basis. International life assurance is recognised as a robust and transparent planning solution.
- Appointment of a Head of Propositions to drive our new business efforts.
- Propositions were launched for the Portugal and Singapore markets with a pipeline of activity planned for 2021.
- Appointment of Head of Sales for Asia to drive our focus in the highly attractive Asian market.

**Outlook**

- The proposed acquisition of Quilter International is expected to add £1.6bn of gross flows and over £150m APE. Utmost International is expected to have strong positions in each of its core markets.
- The combined business will offer a single suite of products under the "Utmost" brand.
- The proposed acquisition is expected to provide an enhanced platform to deliver good client outcomes and excellent service to our partners.
- Continue to develop propositions which meet the needs of our clients across the socio-economic spectrum, to and through their journey to retirement.
- Build on momentum in the HNW space to expand into the attractive UHNW segment.




**Case Study**

## Apex Portugal

Recognising adviser demand for a product for UK expatriates living in Portugal, UWS developed its Apex Portugal proposition which was launched in the market in H2 2020.

Apex Portugal combines a life assurance policy with a range of investment options designed to suit the needs of expatriates. With an increasing number of people choosing to move to Portugal and take advantage of the Non Habitual Residence regime and Golden Visa, the decision to launch a Portuguese-compliant product to meet the demand from clients and advisers was essential. The product launch is an exciting development for our Group, key advisers and clients.

During the product development stage, UWS listened to advisers and clients and their feedback was very important in terms of shaping the overall proposition. Apex Portugal includes many attractive features such as new charging structures, online access through a secure site as well as a wide range of investment options. This is the first of a number of planned product launches in Europe and represents a key milestone for UWS.

## 4.
## Delivery of Synergies

- Successful integration is key to Utmost Group's consolidation strategy and is one of the Group's core competencies.
- When businesses are acquired or portfolio transfers undertaken, a period of integration activity will follow, carried out consistently with the Group Target Operating Model and giving appropriate priority to immediate control and governance matters.
- Utmost Group is expert at striking the right balance between maintaining the clarity of its vision and objectives, including its target operating model, and at the same time being flexible enough to take on and integrate the operating infrastructure of acquired books of policies.
- The International business operates an in-house client servicing and investment administration target platform and has already effectively migrated several acquired books, securing tangible cost reductions as a result.
- ULP is supported by an external IT provider, AtoS, and signed an agreement in December 2019 in order to develop a more cost-efficient operating system, together with support to integrate IT following the acquisition of Equitable Life.
- ULP also ran a tender process in 2020 for fund accounting and custodian services and successfully migrated all business to the successful partner, HSBC, during 2020.

**Linked KPIs**

| |
|---|
| Operating Profit ("OP") |
| Solvency II Economic Value ("SII EV") |

**Progress during 2020**
- To date, 30% of the International single premium policies have been migrated to our strategic platform via five migration projects.
- A further migration of around 10% of our single premium policies is underway with completion planned for H2 2021. This is in line with our strategy to perform administration in-house.
- The integration of the Equitable Life business into the existing ULP business was completed as planned in June 2020 in spite of the additional challenges caused by the move to a home-working environment.
- Equitable Life premises in Aylesbury were identified as the Head Office of ULP, with the Reliance Mutual and Equitable Life business combined into a single site.

**Outlook**
- Following the announced Quilter International acquisition, detailed planning has commenced for the integration into our Utmost International business.
- Opportunities for capital, financial and operational synergies will be identified in line with our target operating model.
- ULP has significantly reduced its cost base run rate by 37% with a similar reduction in staff during the year resulting in a much more efficient operating model going forward.

**Case Study**

## Equitable Life Integration

Following the completion of the Equitable Life business transfer, an integration project commenced. Thorough planning of the project was undertaken in 2018/9, whilst the business transfer was completing. The ex-Equitable Life head office in Aylesbury was identified as the new Head Office for ULP and all work was transferred by June 2020 with closure of the Tunbridge Wells office.

Equitable Life's outsourced IT provider, AtoS, was identified as the strategic partner for the enlarged ULP business. The existing system infrastructure of the legacy Reliance Life business was migrated to AtoS to align with Equitable Life's model. In addition, work is nearing completion on transferring the existing Equitable Life policy administration systems from a mainframe environment to provide further significant synergies.

All existing processes and team structure of the two businesses were combined to create financial and operational efficiencies. The management team was restructured with key hires including a new CFO and a new Chairman, with strong insurance backgrounds. Operating expenses are on track to be reduced by half from 2019 to 2021.

The Utmost Group is dedicated to making a positive difference. Our mission is to secure our clients' financial futures through the delivery of life and pension solutions, which result in greater prosperity for present and future generations. Our responsibility to our clients combines with a sense of responsibility in all our corporate actions to the environment, to our employees and to the wider society in which we operate.

### Sustainability Strategy

Sustainability is central to our strategy. Our sustainability strategy supports our vision by delivering positive benefits to our stakeholders and embedding sustainability across our business. As well as being an overall positive for society, this also makes business sense in keeping with our long-term vision.

Our sustainability strategy is framed along four pillars:

- client outcomes;
- responsible investments;
- environmental impact; and
- engagement in our community.

The Group CEO has overall accountability for ensuring our business is run in a sustainable manner. Following the launch of the sustainability strategy in February 2021, a sustainability working group was formed. The sustainability working group comprises representatives from each business and key corporate functions, bringing together individual expertise, best practices and innovative ideas from the operating businesses to promote and improve sustainable practices across the Group. The sustainability working group reports to the Group CEO through the Group ExCo.

FOUR PILLARS OF OUR SUSTAINABILITY STRATEGY

## Client outcomes

Our Group was founded on the belief that all stakeholders are better served as part of an active and growing franchise. The provision of good client outcomes remains front and centre of our strategy. Our overall purpose is to build a brighter future for our clients and better serve all stakeholders.

Our mission is to secure our clients' financial futures through the delivery of life and pension solutions, which result in greater prosperity for present and future generations.

In order to support our mission of providing good client outcomes, Utmost Group:

- Provides products which are suitable for clients across each socio-economic group.
- Continually develops our proposition in order to provide suitable outcomes to our clients.
- Provides excellent service and communicates openly and honestly with clients and partners.
- Supports clients with the provision of data which helps them understand the ESG scores of their investments. Utmost Group is actively working to provide additional sustainable investment options to our clients.

Projected population ageing in our society has far-reaching implications including an increased requirement for individuals to provide for their own retirement. Our business is particularly sensitive to the relevance, needs and consequences of an ageing global population and our solutions help promote individuals in saving for their own retirement.

### Client Service

Our responsibility to our clients stretches throughout their lifetimes and in some cases through multiple generations. The provision of good client outcomes is front and centre of our strategy. We look to provide excellent service at every stage of the client journey. We seek to perform our servicing in-house so that we can maintain our high standards and controls. Our client service teams are continually focused on maintaining service excellence.

Our employees are committed to providing excellent levels of service through clear communications and ensuring our staff are appropriately trained and engaged to support our clients. Given the demographics of our client base, our staff are specially trained in dealing with vulnerable clients in order that they are treated appropriately and with empathy.

Client confidence in our business is recognised through strong new business figures and high client retention rates.

# Community Engagement

Utmost Group aims to make a positive difference to our employees, our clients and our communities.

### Our Employees

Our employees are core to the success of the Group, both individually and collectively. It is an important priority of the Group that our employees enjoy a diverse and vibrant work environment which ensures they are fulfilled and committed.

An important focus is embedding our culture and values across our business. We want each employee to embrace our value of collaboration to make a positive difference, approaching their work with a motivated attitude. We want to create an environment where our people can achieve their aspirations and reach their full potential.

It is important we are viewed as an attractive place to work and sustain an environment where we can continue to attract and retain the best talent. Our HR teams actively encourage internal mobility of our existing employees to offer career opportunities which enhance their skills and experience, as well as external hiring to enrich our skillset and provide fresh perspectives.

Our culture is embodied by our Group values:

**I**nspiring
**M**otivated
**P**ersonable
**A**daptable
**C**ollaborative
**T**rustworthy.

### Diversity and Inclusion

Utmost Group is committed to promoting equality and diversity. Our culture values difference and looks to our employees to embody our ethos of making a positive impact. We are committed to a policy of equal opportunity for our employees and continue to select, recruit, train and promote the best candidates based on suitability for the role.

We look to develop diversity throughout our organisation. One metric for measuring this is our gender split and currently 36% of our senior managers are female. The Group has a five-year strategy to:

– Increase diverse representation.
– Strengthen our leadership focus on diversity & inclusion.
– Ensure equal opportunities for progression and development for all.

We treat all employees and applicants equally and recognise that people from every background and experience bring valuable insights to the workplace and enhance our organisation. Discrimination has no place at Utmost Group, and we engage with our employees, our partners and our local communities to promote equality and inclusivity.

### Human Rights

We recognise our responsibility to respect the rights and freedoms of those that not only work for Utmost but also those in our supply chain. We are committed to ensuring that there is no modern slavery, forced labour or human trafficking in our supply chains or in any part of our business. Our Modern Slavery Act Statement is available on our website at utmostgroup.co.uk.

### Community

Utmost Group is passionate about having a positive impact not only on the lives of our employees, but also on the communities in which we operate. Local initiatives include fundraising events for local charities selected by local staff, donation matching schemes and the availability of community support leave to help local organisations. We support our employees' voluntary activity by allowing them to take one working day of paid work time out of the office each year to support community volunteering.

Our businesses support local sporting events and clubs. Utmost Wealth Solutions sponsors the Isle of Man Swimming Association and has provided funding for the Isle of Man junior cycling team. Utmost Worldwide sponsors the Guernsey Team for the biennial International Island Games, and Utmost PanEurope sponsors Navan Rugby Football Club, a local Irish rugby union club offering opportunities to both junior and adult players. We believe it is important to support our local sports teams and are proud to be able to contribute to their success.

The Group has set up the Utmost Challenge to support our employees' charitable giving, help us engage with the communities we work in and contribute towards them. Individual donations of up to £5,000 can be provided either to match or top-up personal fundraising efforts. During 2020, one employee completed a solo English Channel swim from England to France, raising over £14,000 for MQ: Transforming Mental Health. Once lockdown restrictions ease, we will look to promote fundraising and community activity and encourage participation in the Utmost Challenge.

### Non-financial information statement

This section of the Annual Report (pages 22 to 24) provides information as required by the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 in relation to: environmental matters, our employees, the communities in which we operate, social matters and respect for human rights. In addition, other related information can be found as follows: Business Model – page 12; principal risks and how they are managed – pages 40 to 43; Key Performance Indicators – page 26; and our Section 172(1) Statement on page 44.

FOUR PILLARS OF OUR SUSTAINABILITY STRATEGY CONTINUED

## Responsible Investment

The Group recognises the importance of its role as a long-term allocator of capital and considers Environmental, Social and Governance ("ESG") factors as part of its investment activity. Sustainable investing is a key issue in our industry and facing wider society, as well as an important factor to our clients when allocating funds. The Group takes its responsibility seriously. Utmost Group aims to make sustainable investment decisions and considers the sustainability impact of its investment decisions on clients, partners, employees and the wider society in which we operate.

The Group is committed to taking a proactive approach to sustainable investing. The Group is undergoing an exercise to evolve our Responsible Investment framework. Our first area of focus is our shareholder assets and our managed fund ranges. The Group has an ESG standard within our Investment Policy. The funds we offer to clients must have minimum ESG scores and strong positions within their peer group of funds, and the investment managers we work with must be UN PRI signatories. In our shareholder assets we maintain minimum ESG scores across our portfolios. The Group is working to provide additional sustainable investment options to our clients.

The Group aspires to:

- Increase the proportion of our investments in sustainable assets.
- Provide increased sustainable investment options to our clients.
- Align our investment portfolio with the beliefs of our clients and employees on sustainability considerations.

Responsible investing is a rapidly evolving area with new regulations being developed and client and societal expectations increasing over time. Our strategic approach to sustainable investing will be regularly reviewed in line with the Group's sustainability vision.

## Environmental Impact

The Group has a responsibility to reduce its environmental impact and to protect the environment. Our business and our employees take this responsibility seriously.

As an insurance business, our environmental impact is lower than other industries. Nonetheless, Utmost Group is committed to reducing and minimising the environmental impact of our operations and embedding a sustainable mindset into our corporate philosophy. Our disclosure required by the UK Streamlined Energy and Carbon Reporting Regulations can be found on page 45.

### Our Carbon Footprint

Our business has delivered various initiatives in order to lower the carbon footprint of our offices. These include enabling our employees to reduce their impact on the environment, such as encouraging the "reduce, reuse, recycle" philosophy and discouraging the use of single-use plastics. As a business operating across locations, we encourage the use of virtual meeting software, and to complement our activities in this area, have taken the decision to offset the Group's carbon emissions generated throughout the course of 2020.

### Our Supply Chain

Within our supply chain, we look to work with select organisations which operate in line with our corporate philosophy and help us deliver our long-term vision. We promote the use of recycled materials and look to evaluate the environmental impact of any products we source as well as considering their disposal to minimise our environmental impact.

We continue to take committed action to reduce our environmental impact. As the business continues to grow, we continue to identify ways to work more efficiently and reduce our impact further.

The Group is undertaking an exercise to identify areas where we can reduce our environmental impact and promote environmental awareness to our employees with a view to having a net zero carbon emissions operational footprint within five years.

Utmost also works with Fairtrade to support sourcing as many Fairtrade labelled products as possible for use in Utmost offices. This is an important relationship to us which aligns strongly with our position on environmental and social matters. Fairtrade ensures that farmers and workers are paid both a minimum price for their produce to protect them from market uncertainty, and a Fairtrade premium which is an additional sum of money they can invest as they see fit, such as community, environmental and business improvement projects. This Fairtrade premium has financed a wealth of initiatives from maternity hospitals to school bursaries. Environmental and social standards are part of the core scheme of Fairtrade, ensuring an ongoing focus on environmental and social sustainability.

Our long-term success depends not only on the Group's business model and strategy, but also on our commitment to sustainability and corporate citizenship.

## Assets under Administration
### AUA

Assets under Administration is a measure of the assets which UGL measures on behalf of its policyholders.

**Measure**
UGL's Assets under Administration were £36.7bn at YE 2020, increasing by 22% from the YE19 AUA of £30.1bn, as a result of the Equitable Life acquisition and a strong market recovery following the volatility of Q1 2020.

**Commentary**
"£5.6bn of the increase in AUA results from the completion of the acquisition of the Equitable Life business. Following a strong market rally in 2019, markets perceived a downward dislocation in global economic activity amid the outbreak of Covid-19 which escalated from a regional epidemic at the start of the year to a global pandemic by the end of Q1 2020. Markets rallied for three consecutive quarters to Q4 2020 with news on the US election and effective vaccines supporting sentiment."

**£36.7BN**

**Link to Strategic Goals**

## Annual Premium Equivalent
### APE

APE is a measure of our sales calculated as the value of regular premiums plus 10% of any new single premiums written in the year.

**Measure**
APE was £180m in 2020 compared to APE of £173m in 2019. Our UWS business generated £165m of APE and our UCS business generated £15m of new business.

**Commentary**
"Our sales and marketing teams did an excellent job working closely with our distribution partners, to maintain and slightly grow new business despite the challenges of being unable to meet in person for the vast majority of the year. Demand for our products remains strong, driven by the fundamental growth trends in our markets. As we develop our proposition and enter key new markets, the expectation is that APE will continue to increase."

**£180M**

**Link to Strategic Goals**

## Value of New Business
### VNB

VNB is a measure of the economic value of the profits expected to emerge from new business. It is calculated as the present value of future income arising from new business written in the year, less costs associated with writing the business, calculated on a Solvency II basis.

**Measure**
VNB was £30m in 2020, an increase of 7% compared to the 2019 figure of £28m.

**Commentary**
"The solutions provided by UWS and UCS tailor to the bespoke and often complex requirements of our client base. As a result, our business has been able to maintain and slightly increase its margins in spite of the proliferation of purely online propositions. An increasingly complex pensions, savings and taxation landscape means our clients demand tailored solutions and advice."

**£30M**

**Link to Strategic Goals**

## Our strategic goals

### 1. Good Client Outcomes

Utmost Group was founded on the belief that all stakeholders are better served as part of an active and growing franchise. Good client outcomes remain front and centre of our strategy. Our overall purpose is to build a brighter future for our clients and better serve all stakeholders.

### 2. Organic Growth

The Group prioritises organic growth in its open business, Utmost International. The growth strategy focuses on continually enhancing our product range to meet changing client demands. Key to our success is providing good client outcomes and value for money.

### 3. Growth through Acquisitions

Utmost Group intends to add scale to our International and UK operations and looks to execute M&A transactions which meet our strict deal criteria.

### 4. Delivery of Synergies

Successful integration is key to Utmost Group's consolidation strategy and is one of the Group's core competencies. When businesses are acquired or portfolio transfers undertaken, a period of integration activity will follow, carried out consistently with the Group Target Operating Model.

## Operating Profit
OP

Operating Profit measures the profit emerging from the key operations of the business. A measure of IFRS earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Operating profit excludes any non-core and one-off items.

**Measure**
Operating profit was £85m in 2020 compared to £87m in 2019.

**Commentary**
"In 2020, just over half of the Group operating profit was contributed by ULP with the remainder contributed by Utmost International. We expect each business to continue to contribute to the Group's operating profit, generating cash and capital to be deployed by Utmost Group."

£85M

**Link to Strategic Goals**

## Solvency II Economic Value
SII EV

SII EV is the Group view of the aggregate value of the business. It is calculated by adding the Solvency II Economic Value of its insurance companies and the IFRS net asset value of its non-insurance companies and includes the value of UGL's Guernsey holding companies.

**Measure**
Gross SII EV increased by £185m from £1,457m at YE 2019 to £1,642m at the end of 2020. Net SII EV only increased by £46m as a result of the increased debt held in the Company.

**Commentary**
"SII EV increased due to the acquisition of the Equitable Life business, as well as the delivery of expense synergies, where efficiencies in the day-to-day operational performance of the businesses from our ongoing programme of integration activity have contributed to a reduction in maintenance expenses. The writing of profitable new business and the performance of investment markets also contributed to an increase in SII EV."

£1,342M

**Link to Strategic Goals**

## Client Retention

Client retention is a measure of the clients who held an Utmost policy at the start of the year, and still held that policy at the end of the year. Client retention is an indicator that our strategic goals, especially around good client outcomes, are being met.

**Measure**
Client retention has been measured separately across each business given their different dynamics. UWS client retention was 95% in 2020, and exceeded 90% across all our businesses, as set out overleaf.

**Commentary**
"The Group has adopted client retention as a non-financial KPI for its 2020 Annual Report as a measure of client experience. High retention rates are a reflection of good client servicing and the delivery of appropriate solutions. UWS high retention rates are driven by a strong proposition and good client service as well as the inherent product features, where some benefits may be lost or tax payments crystallised upon early surrender. ULP had high retention rates in spite of pent up demand from the legacy ELAS clients following the Scheme of Arrangement."

95%

**Link to Strategic Goals**

In 2020, the Utmost Group performed strongly in difficult market and operating conditions. The integration of previous transactions was largely completed despite the difficult working environment and the Group is ready to capitalise on its strong position with both organic and inorganic growth in the year ahead.

**Ian Maidens**
Group Chief Financial Officer

The Utmost Group delivered strong results for 2020, in a year which was dominated by market turbulence and significantly disrupted working patterns as the world fought the Covid-19 pandemic.

In this CFO review, unless otherwise indicated, results are presented on a pro-forma basis including both the Utmost International and Utmost Life and Pensions businesses as if the current Utmost Group corporate structure had been in place for the whole of 2019 and 2020, to provide readers with a more meaningful set of comparative figures in order to assess the underlying performance of the Group. Pro-forma information is unaudited, however compiled using audited IFRS information as the starting point.

The financial performance of the Group is assessed using a variety of financial measures including our six KPIs (see page 26 of the Strategic Report), each of which is discussed in detail below. These KPIs are considered Alternative Performance Measures ("APMs") and are reconciled back to audited IFRS information on pages 110 and 111 of the Annual Report.

### Assets Under Administration

The Group's AUA was £36.7bn at YE20, increasing by 22% from the YE19 AUA of £30.1bn. £5.6bn of this increase results from the completion of the acquisition of the Equitable Life business on 1 January 2020 with the remaining change resulting from asset performance and net fund flows from clients. The majority of the assets are backing unit-linked policies within our Utmost Wealth Solutions ("UWS") and Utmost Life and Pensions ("ULP") businesses, with a small proportion of assets (approximately 4%) backing pension and savings products within the Utmost Corporate Solutions ("UCS") business and non-linked business within ULP.

The majority of the UWS AUA is held in respect of UK-based clients and Italian clients. The remainder of the UWS AUA is held in respect of clients based in our remaining Continental European markets and our international markets. As we continue to focus on the organic growth of the business, the expectation is for a growing proportion of the UWS AUA to be held in respect of clients outside our two core markets as we continue to invest in new product development for these regions, as well as entering new markets.

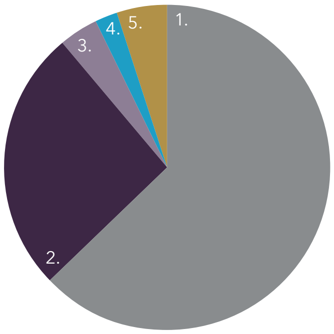
Our UWS platform offers clients and advisers access to a full range of asset classes, investment managers and investment solutions, enabling them to tailor their investments to meet their risk and return appetites. Clients or their advisers can select from a broad selection of funds on our Open Architecture range, or from a more selective Guided Architecture range, whose constituent funds are selected by Utmost Portfolio Management (UPM), which was acquired in 2019 as part of the UW acquisition.

ULP launched a new unit-linked fund range for its existing policyholders and transferring Equitable Life policyholders with its strategic partner, JPMAM. In preparation for the transfer of Equitable Life assets, an Age-Related Strategy, comprising a range of Managed Funds, was developed in consultation with the Financial Conduct Authority ("FCA"), for those policyholders who did not make an investment choice.

For clients in the Age-Related Strategy, their monies were initially invested in a Secure Cash Fund for the first six months of 2020 and then transferred into the Managed Funds through the second half of 2020 in weekly tranches with the choice of which Managed Fund determined by their age. ULP guaranteed that the price of the Secure Cash Fund would not drop below the initial price set on 1 January 2020. As a result of the Age-Related Strategy, a significant number of clients that transferred from Equitable Life were protected from market falls in the second quarter of 2020 caused by the uncertainty relating to the Covid-19 pandemic. The funds were then migrated into Unit-Linked Funds during a period of market recovery in the six months from July 2020 onwards.

ULP consistently monitors asset performance, including that of the unit-linked funds, particularly in relation to the Managed Funds operated by JPMAM, where the majority of the unit-linked business will be invested going forward.

**Figure 1: AUA split by region** (in £m)




| | | |
|---|---|---|
| 1. UK | 63% | £23,124m |
| 2. Europe | 26% | £9,551m |
| 3. Asia | 4% | £1,557m |
| 4. Latin America | 2% | £592m |
| 5. Rest of World | 5% | £1,857m |
| Total | 100% | £36,691m |

**Figure 2: Key Performance Indicators**

| | 2020 total £m | 2019 total £m |
|---|---|---|
| AUA | 36,691 | 30,086 |
| APE | 180 | 173 |
| VNB | 30 | 28 |
| Operating Profit | 85 | 87[1] |
| SII EV | 1,342 | 1,296 |
| **Client Retention** | | |
| ULP[2] | 98% | |
| UWS | 95% | |
| UCS[3] | 94% | |
| **Other financial highlights** | | |
| IFRS Profit before tax | 102 | 183 |
| Expenses | 114 | 110 |

1. 2019 Operating Profit includes 12 months' of UW results, to include profit from the pre-acquisition period given UW was acquired on 28 February 2019.
2. Individual business only excluding Group AVC business.
3. UCS persistency is calculated based on policy count across the UPE and UW entities, excluding the Retirement and Savings business.

### New Business Annual Premium Equivalent

APE was £180m in 2020 compared to APE of £173m in 2019 (assuming UW was owned for the whole of 2019). Our sales and marketing teams did an excellent job working closely with our distribution partners, to maintain and slightly grow new business despite the challenges of being unable to meet either distribution partners or clients in person for the vast majority of the year. Our relationships with our distribution partners remained as strong as ever throughout this period and the sales momentum has continued into 2021 with APE in the first quarter of the year having advanced strongly to £66m.

UWS APE was £165m in 2020, compared to £146m in 2019. Business written in UL was stable year-on-year whilst the business written by UPE and UW recovered materially following an initial reduction in sales as they were integrated into the Utmost stable post-acquisition in June 2018 and February 2019 respectively.

UCS APE was £15m in 2020 compared to £26m in 2019. The reduction in UCS APE reflected the fact that a number of material one-off cases derived from strategic partnerships launched in 2019 were not repeated in 2020. The continued support of Generali Employee Benefits ("GEB") and employee benefit brokers also contributed to our UCS performance. Retention rates within UCS remained strong, reflecting our commitment to market-leading service and efficient claims administration in this business.

### Value of New Business

VNB is a measure of the profitability of new business written after allowing for the cost of administering it. VNB is calculated on an economic basis, consistent with the Solvency II balance sheet and adjusted to include value that would otherwise be excluded by the application of contract boundaries. In 2020, VNB was £30m, an increase of 7% compared to 2019 when VNB was £28m. The solutions provided by UWS and UCS tailor to the bespoke and often complex requirements of our client base. As a result, our business has been able to maintain and slightly increase its margins in spite of the proliferation of purely online propositions. An increasingly complex pensions, savings and taxation landscape means our clients demand tailored solutions and advice. As such, while technology-driven solutions offer opportunities to ease client interactions and deliver operational and administrative efficiency, a purely technology-driven solution cannot meet all our clients' financial needs.

### Solvency II Economic Value

SII EV is the Group's preferred measure of the economic value of the business.

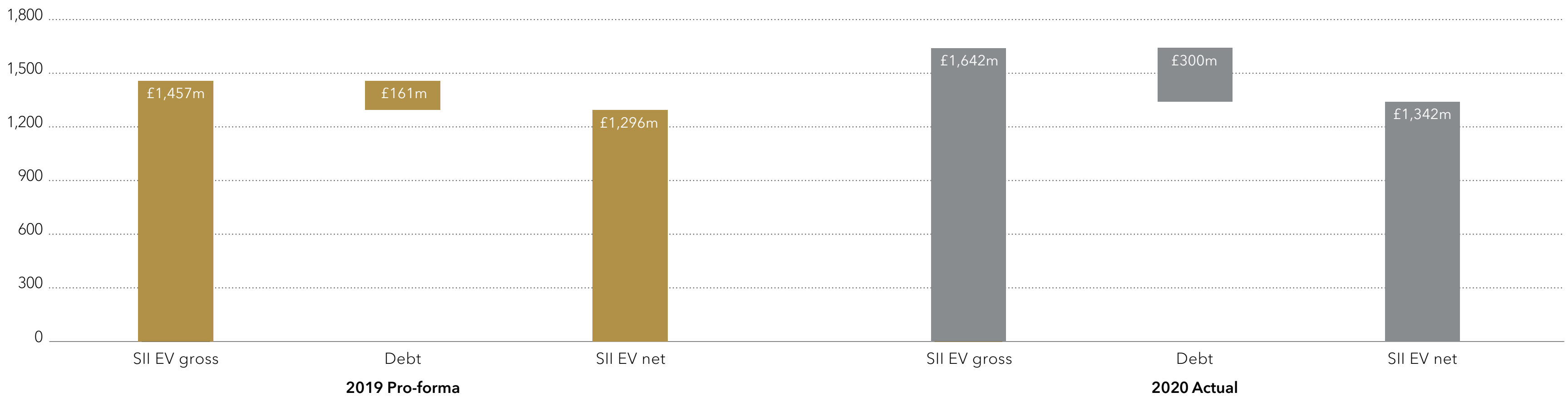
- For the operating life companies, SII EV is largely derived from components of the Solvency II balance sheet and the calculation methodology results in an outcome which is broadly equivalent to an old style "market consistent embedded value" before allowance for the cost of non-hedgeable risks.
- For all other entities, the SII EV is the IFRS net asset value.

The Group SII EV (net of debt) increased from £1,296m at 31 December 2019 to £1,342m at 31 December 2020. On a gross basis, as shown by the chart below, SII EV increased by £185m from £1,457m to £1,642m, driven by the acquisition of the Equitable Life business in the year as well as the delivery of expense synergies, where efficiencies in the day-to-day operational performance of the businesses from our ongoing programme of integration activity have contributed to a reduction in maintenance expenses, the writing of profitable new business and the performance of investment markets. This underlying gross increase has been offset by an increase in debt from £161m to £300m; the latter representing the Tier 2 debt which the Company has issued to its immediate parent company, Utmost Holdings (Guernsey) Limited.

### Operating Profit

Operating profit, as an alternative performance measure, is shown for 2020 and on a pro-forma basis for 2019. The Group's operating profit for 2020 is £85m, compared to £87m in 2019; the slight decrease not being driven by any specific material items, but includes some one-off costs in 2020 as shown In the expenses section opposite. In 2020, approximately 55% of the Group operating profit was contributed by ULP with the remainder contributed by the three international businesses. We expect each business to continue to contribute to the Group's operating profit, generating cash and capital to be deployed by Utmost Group in accordance with the strategy outlined in the Strategic Report.

**Figure 3: Utmost Group Solvency II Economic Value** (in £m)



### Client Retention

The Group has adopted client retention as a non-financial KPI for its 2020 Annual Report as a measure of client experience. We have elected to report this for each business (ULP, UWS, UCS) given the different dynamics of each business. Across each business, client retention was above 90% for 2020.

UWS client retention was 95%. High retention rates are driven by a strong proposition and good client service as well as the inherent product features, where some benefits may be lost or tax payments crystallised upon early surrender.

UCS' competitive renewal rates and tailored client service drove a high level of client retention. Corporate clients delayed retender processes in 2020 and many chose to stay with their existing employee benefit providers through the pandemic, with a number of clients requesting shorter extension periods. We expect pricing to increase in 2021/2 in domestic lines due to uncertainty surrounding the pandemic, driven by concerns around long COVID, higher frequency of undiagnosed medical conditions due to impaired access to health care in 2020 and increased incidents of mental ill health as a consequence of the lockdowns.

ULP retained the vast majority of individual clients with a retention rate in line with our long-term assumptions. We have seen that trend continue into 2021. As expected, we have seen a number of Group Schemes seek to consolidate their pension provision by moving their AVCs away from ULP in 2020. Overall, ULP continues to maintain a high retention rate, helped by the launch of a Flexible Drawdown proposition.

### IFRS Profit before tax ("IFRS PBT")

The Group's IFRS PBT for 2020 is £102m, compared to £183m in 2019, as reported in the Financial Statements. IFRS PBT includes one-off items such as gains arising on bargain purchases, which totalled £86m in 2020 relating to the acquisition of Equitable Life and £193m in 2019 relating to the acquisition of Utmost Worldwide. Due to the impact of these one-offs, the directors consider operating profit to be the key performance indicator of the Group's profitability for internal purposes, and review IFRS PBT as a further financial metric of profitability.

### IFRS Equity

The IFRS equity of the Group has reduced from £935m at 31 December 2019 to £851m at 31 December 2020. These figures are both net of debt, with debt representing 26% of gross IFRS equity before debt at 31 December 2020. The £84m reduction in IFRS equity during 2020 reflects a £141m increase in Utmost Group debt, the proceeds of which, in addition to a further £34m (representing a total of £175m), were distributed to the Company's parent during the year. This was partially offset by a £79m post-tax profit for the year, a £10m gain from foreign currency translation movements and a number of other factors leading to a total comprehensive income for the year of £90m.

### Expenses

On an actual basis, as included in the consolidated financial statements, administrative expenses were £4m higher at £114m in 2020 compared to £110m in 2019, with a breakdown in Figure 4.

**Figure 4:**

| | 2020 £m | 2019 £m |
|---|---|---|
| Operating expenses | 105.8 | 105.6 |
| Depreciation/Amortisation | 5.6 | 4.3 |
| One-off costs including redundancy | 3.0 | 0.0 |
| Total | 114.4 | 109.9 |

The increase in administrative expenses on an actual basis is the net result of an increase in expenses in ULP from £12m in 2019 to £23m in 2020 as a result of the acquisition of the Equitable Life business, partially offset by reductions in the level of expenses in the three Utmost International businesses. Operating expenses in ULP in 2021 are expected to reduce materially from the level in 2020 as a result of the majority of the integration and synergy delivery work having been completed in 2020. Cost control remains a key pillar of our Target Operating Model and will continue to create operational savings and drive synergies throughout the business in the coming years.

Operating expenses themselves were broadly stable in 2020, again with an increase in ULP costs arising from the Equitable Life acquisition offset by the delivery of synergies in the International businesses.

### Surplus capital generation

Significant surplus capital is generated from the in-force book over the plan horizon and beyond. Figure 5 shows surplus capital emergence anticipated from the in-force book, defined as any capital in excess of the capital requirements for each life company. This analysis is based on the 2020 Business Plan using economic assumptions at 30 June with no allowance for the market improvements experienced over the period (SII EV at 30 June 2020 £1,553m compared to £1,642m at 31 December 2020). The analysis excludes the impacts of new business and does not include approximately £196m of existing surplus capital at the 2020 year-end. Total capital emergence over the projected life of the in-force business including this £196m is estimated as £1,676m. The increased value reflects a simple cash flow, rather than discounted approach, and the inclusion of real-world investment returns. In practice, the operating life companies paid aggregate dividends and interest of £89m to Group holding companies during 2020.

Figure 6 shows the capital impact of writing new business. The business invested £8m of capital to support the writing of approximately £1.8bn of new business liabilities in 2020. This is a reduction of capital investment compared to 2019 driven by the business mix over 2020 with a higher proportion of products sold requiring no upfront capital expenditure. This demonstrates Utmost Group's capital light approach to product design. The new business adds an additional £50m of cash emergence, further enhancing the Group's anticipated capital generation over and above what is shown in Figure 5. This additional return of £50m compares to the VNB of new business written in 2020 of £30m (the difference reflecting the lack of discounting and the inclusion of real-world investment returns).

This analysis shows that the in-force business can comfortably support investment in new business at both the current and expected volumes and that the new business written will make a substantial contribution to surplus capital generation.

Analysis is completed at an entity level to demonstrate capital available to the Group.

### Operating company liquidity

Utmost Group's liquidity management processes and policies are designed to ensure that both policyholder liabilities and non-policyholder liabilities can be paid on a timely basis.

Due to the nature of the unit-linked product set, policyholder-related liquidity requirements are relatively low.

The main liquidity requirements in our operating companies relate to expenses and policyholder claims on non-linked business. Utmost International does not have any material requirements in respect of collateral requirements held against derivative contracts.

Each of Utmost International's life companies maintains a liquidity buffer of at least 10% of their Solvency Capital Requirement at all times.

The Utmost Group requires each of our operating companies to assess liquidity on a 3, 6 and 12-month basis. All cash inflows and outflows in each period are assessed under a central and stresses scenario. The stress considers a 10% fall in inflows, 10% increase in outflows and a 5% loss on non-cash assets. Hard and soft limits are set under base and stress to ensure the Group remains liquid at all times.

### Holding company cash

Cash is held at the holding company level primarily to cover Group Head Office costs. Excess cash not required to cover Group Head Office costs or to pay interest on the Tier 2 debt is available to be reinvested in the business, to fund future acquisitions, or to be paid as a dividend to the Group's immediate shareholder, Utmost Holdings (Guernsey) Limited.

**Figure 5: In-force emergence of surplus capital**

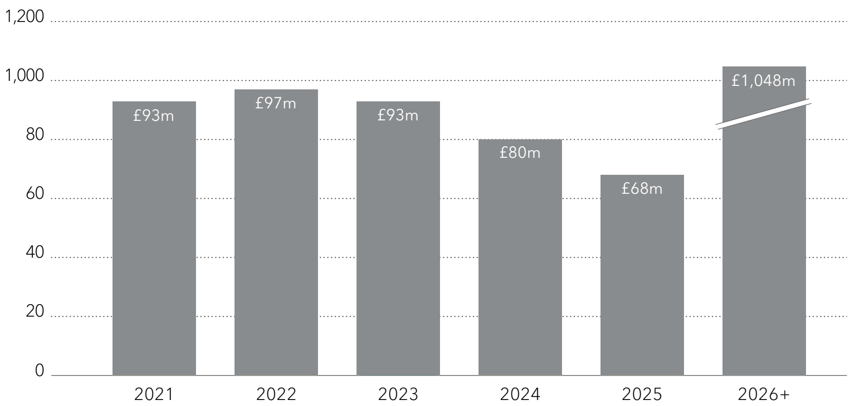
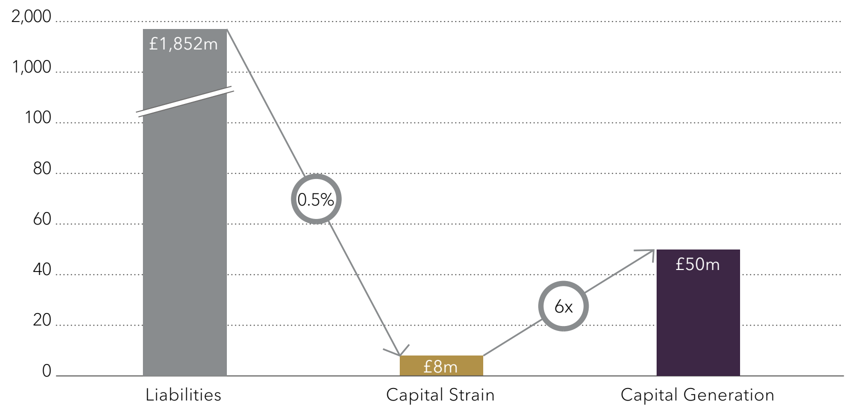



**Figure 6: Capital Impact of Writing New Business**



## Capital strength and solvency position

The Group applies a disciplined approach to capital management. The Group aims to maintain a strong capital position and has prudent capital policies in place. Each of its life companies is subject to local solvency regulation.

UPE and ULP are subject to the requirements of Solvency II. The solvency regime introduced by the Isle of Man on 1 July 2018 is broadly similar to the Solvency II regime and, in addition to complying with the Isle of Man solvency regime, the Isle of Man business also calculates its solvency coverage in accordance with Solvency II requirements. UW has agreed with the Guernsey Financial Services Commission ("GFSC") that its capital position should be calculated in accordance with the full Solvency II requirements. There are additional solvency requirements imposed on its branches.

The nature of the business written by the Group is such that it is appropriate for all its life company subsidiaries to determine their Solvency II balance sheets using the "Standard Formula" approach. The Group does not utilise an internal model.

The Group's life companies seek to maintain a strong solvency position. The capital policy for the UK, Irish and Isle of Man life companies is to maintain a Solvency Coverage Ratio of at least 135%, 135% and 125% respectively at all times and to ensure that the Solvency Coverage Ratio is in each case at least 150% immediately after the payment of a dividend. The Solvency Coverage Ratio of these entities at 31 December 2020 was comfortably in excess of these capital policies, as shown in Figure 7.

**Figure 7:**

| Entity | Solvency Coverage Ratio YE20 | At all times | Post dividend |
|---|---|---|---|
| UL | 154% | 125% | 150% |
| UPE (inc. WTA[1]) | 189% | 135% | 150% |
| UPE (exc. WTA) | 137% | 100% | 110% |
| UW | 181% | 155% | 170% |
| ULP | 176% | 135% | 150% |
| Utmost Group | 183% | 135% | 150% |

1. Withholding Tax Asset as detailed further in note 16 of the consolidated financial statements.

Following the acquisition of UW, Utmost Group agreed with the GFSC that for an initial period it would adopt a capital policy of seeking to maintain a Solvency Coverage Ratio of at least 155% at all times and of ensuring that the Solvency Coverage Ratio is at least 170% immediately after the payment of a dividend. UW is also required to ensure that it meets the regulatory capital standards in respect of each of its branches. In the case of most of these branches, the branch solvency reporting applies to the relevant branch business only. However, UW has to satisfy Hong Kong capital standards on a whole company basis. At 31 December 2020 the Solvency Coverage Ratio of UW on a Hong Kong basis was 436%.

Utmost Group is subject to full Group-level solvency regulation by the PRA. OCM Utmost Holdings Ltd ("OUHL"), the ultimate parent company of the Group is subject to group regulation by the PRA on an "Other Methods" basis. In addition, in the absence of an agreement between the UK and the EU on equivalence, the Central Bank of Ireland undertake group regulation on an "Other Methods" basis of the Utmost Topco Limited ("UTL") group (UTL is the immediate subsidiary of OUHL). The Group Solvency Coverage Ratio is calculated as Group Own Funds as a percentage of Group SCR (on a standard formula basis).

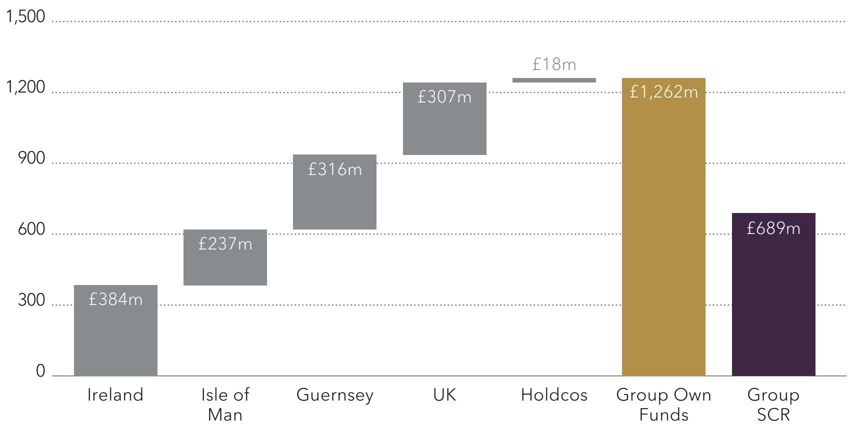
Utmost Group's approach to managing capital at Group level mirrors the approach at life company level, i.e. to maintain a Group Solvency Coverage Ratio of at least 135% at all times, and a Group Solvency Coverage Ratio of at least 150% immediately after payment of a dividend.

Throughout 2020, the Group maintained its strong capital position, with a Group Solvency Coverage Ratio of 183% at 31 December 2020 and Own Funds of £1,262m. The mix of our fee base, between fixed and AMC based charges, and the equity symmetric adjustment contributed to the stability in the Solvency Coverage Ratio in 2020.

**Figure 8:**

| Group Solvency II Capital | 2020 £m |
|---|---|
| Own Funds | 1,262 |
| Solvency Capital Requirement | 689 |
| Solvency Coverage Ratio | 183% |

**Figure 9: Utmost Group Solvency Position – 2020 actual** (in £m)



### Sensitivity analysis

The Group has an extremely resilient solvency position due to the active management of key risks. The Solvency Capital Requirement coverage ratios of each of our operating life companies, and of the Group itself, were very stable throughout 2020 notwithstanding the turbulence in investment markets – particularly in the first half of the year. The Group Solvency Capital Requirement coverage ratio was materially unchanged at 30 June 2020 compared to the position at 31 December 2019 with the modest reduction seen in the first quarter of the year recovered in the second quarter.

A large downward equity event, as experienced in early 2020, reduces own funds but has a positive impact on solvency. The positive solvency impact is driven by three key areas: a high Net Asset Value ("NAV") to Value of In-Force business ratio of shareholder assets, reduced Solvency Capital Requirement ("SCR") impact from the equity symmetric adjustment and the mixture of fixed and AMC based charges.

The primary risk that impacts the Group's solvency and own funds adversely is expenses. Cost control remains a key pillar of our Target Operating Model.

The Group also has exposure to lapse risk as most policyholders can switch their funds to another provider. Higher lapses reduce the own funds but increase the coverage ratio as capital held against the switched funds is released. Similarly, lower lapses increase the own funds but reduce the solvency coverage ratio. In practice, lapse rates on the Group's savings products have historically been low, particularly in the Utmost International businesses reflecting the long-term inheritance planning purpose for which many of the products are purchased. We did not see any material changes in lapse experience during 2020 as a result of either the Covid-19 pandemic or its impact on investment markets and the socio-economic environment generally.

Policyholder funds are invested across the globe in numerous currencies, with expenses primarily in pound sterling and euros. An appreciation of pound sterling reduces the VIF in alternative currencies, partially offset by a reduction in euro expenses, thus reducing own funds. Capital held in association with the alternative currencies reduces in line with the reduction in VIF whilst pound sterling impacts remain unchanged.

### Acquisition Activity

The Group completed its acquisition of the business of Equitable Life on 1 January 2020 and on the same day ULP became sole member of the residual ELAS entity. All retained Equitable staff transferred to Utmost Life and Pensions Services Limited, ULP's service company simplifying our approach to servicing and administration across the UK business.

The total fair value of assets acquired as a result of the transfer of the Equitable Life business to ULP was £6,444m. This exceeded the fair value of liabilities assumed of £6,358m, giving rise to a "Gain arising from bargain purchases" of £86m in the Statement of Comprehensive Income.

### Borrowings

Following the group reorganisation referred to on page 53, the Group reorganised its debt arrangement and now has only one debt instrument in place: a £300m Tier 2 loan note which is listed on the International Stock Exchange and is held in its entirety by Utmost Holdings (Guernsey) Limited. The Tier 2 loan note pays interest at 6% pa, with payments being made in May and November of each year and matures on 9 November 2030.

The Group maintains a prudent capital structure and aims to target a leverage ratio between 20%–30% of SII EV, gross of debt. As at 31 December 2020, the leverage ratio was approximately 18% following issuance of the aforementioned Tier 2 debt (2019: 11%).

**Figure 10: Solvency Coverage Ratio Sensitivities** (31 December 2020)

Solvency coverage ratio = 183%

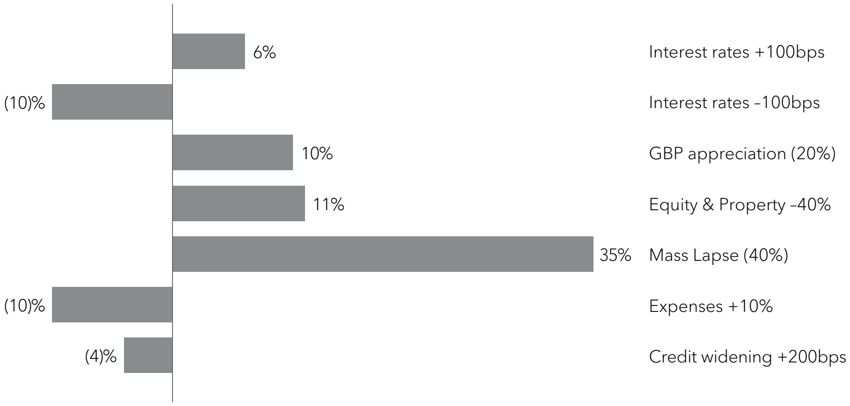
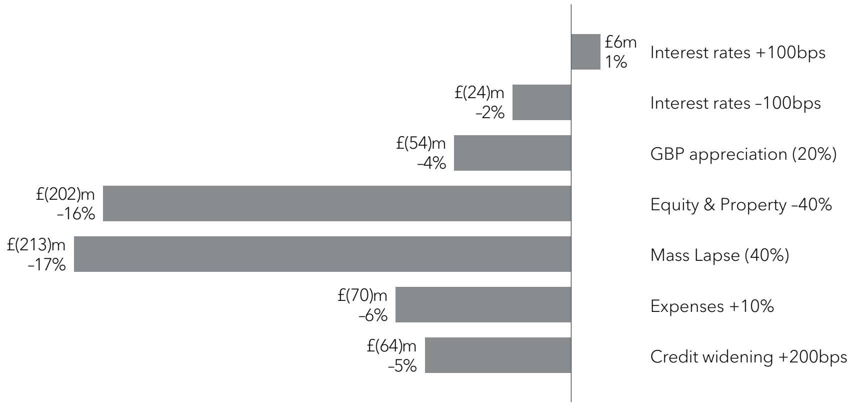



**Figure 11: Own Fund Sensitivities** (31 December 2020)

Own Funds = £1,262m



### Credit rating
The Utmost International operating subsidiaries maintained their Insurer Financial Strength ratings of "A" with a Stable Outlook throughout 2020. In April 2020, Fitch conducted a ratings review of European life insurers under a set of base and stress-case rating assumptions to reflect the pressures from the Covid-19 pandemic. I am pleased that, based on their assessment of the impact of the pandemic, Fitch affirmed these ratings. Following the group reorganisation, the Company was assigned an Issuer Default Rating of BBB+. This reflects the strong capitalisation and stable leverage ratios of the Group.

### Post-balance sheet events – Acquisition of Quilter International
On 1 April 2021, the Group announced the proposed acquisition by its Isle of Man business of the Quilter International business from Quilter plc. The agreed consideration for this acquisition is £460m plus interest at 5% pa from 31 December 2020 to the date the transaction completes. The transaction is expected to be financed by a combination of existing excess capital within the Group, dividends from our operating businesses during 2021, and additional equity investments from the Company's immediate parent company. The aggregate Own Funds of the Quilter International life companies to be acquired was £575m at 31 December 2020.

The acquisition will add £22bn of assets under administration and 90,000 policies to Utmost International. The Group's gross SII EV is expected to increase by £600m as a result of the transaction after allowing for the existing Group resources used to part-fund the acquisition.

Following the announcement of the proposed acquisition, Fitch again affirmed the Group's ratings with an unchanged Stable Outlook.

### Summary
The Group has made strong progress in 2020. Our balance sheet is strong and resilient, enabling us to provide a high level of security to our clients. Our strong financial position enables the Group to invest in the continued development of our business through organic growth and further acquisitions. The strength of the Group is evidenced through the consistency of its financial strength and operating performance through the uncertain environment over the period since the start of the Covid-19 pandemic.

**Ian Maidens**
Group Chief Financial Officer

# Risk management

The Risk Management Framework at Utmost Group embeds proactive and effective risk management across the operating businesses. It seeks to ensure that all risks are identified and managed effectively and that Utmost Group is appropriately rewarded for the risk it takes.

### The Group's Risk Management Framework
The Risk Management Framework at Utmost Group is continually refreshed in line with the risk environment and emerging best practice. The framework, owned by the Utmost Group Board, covers all aspects of risk management.

### Risk culture
A core objective of the Risk Management Framework is to embed a positive and open risk management culture within Utmost Group. The risk culture is embedded through the following:

- The Chief Risk Officers of all operating businesses are members of senior management and in the execution of their roles, integrate risk management thinking into the decision-making process.
- The strategic planning process and the ORSA process in each operating business must be aligned in order to include a risk-based forward-looking view in the development of the strategic plan.
- The Risk Function in each operating business is involved in material initiatives which may impact on the risk profile of that operating business or Utmost Group as a whole. The role of each Risk Function is to integrate the risk management assessment methodologies into the decision-making process by supporting the business in identifying, assessing and managing the risks associated with these initiatives.

Each Risk Function works closely with the business units within its own operating business, providing advisory services.

### Risk strategy
The risk strategy at Utmost Group provides an overarching view of how risk management is incorporated consistently across all levels of the business, from decision-making to strategy implementation.

It assists the Group to achieve its strategic objectives by supporting the operating businesses with improved client and shareholder outcomes. This is achieved not by risk avoidance, but through the identification and management of an acceptable level of risk ("risk appetite") and by ensuring that Utmost Group is appropriately rewarded for the risks it takes.

To ensure that all risks are managed effectively, Utmost Group is committed to:

- Embedding a risk aware culture;
- Maintaining a strong system of internal controls;
- Enhancing and protecting client and shareholder value by continuous and proactive risk management;
- Maintaining an efficient capital structure; and
- Ensuring that risk management is embedded into day to day management and decision-making processes.

### Risk appetite
The risk appetite is the level of risk that Utmost Group is willing to accept in pursuit of its strategic objectives. Risk preferences are outlined and documented within the Risk Appetite Statement of each operating business.

A set of comprehensive risk metrics have been developed to support the above risk preferences and translate statements and preferences into quantitative and measurable risk limits and indicators, and to embed them into the operating processes in order to ensure proper monitoring and steering of business activity.

Utmost Group embeds its risk appetite into the key decision-making processes by looking at four main dimensions, namely capital, liquidity, earnings and expenses, and has defined consistent risk metrics to ensure that its risk profile is managed within the stated appetite and regulatory requirements, triggering actions whenever tolerance levels are breached.

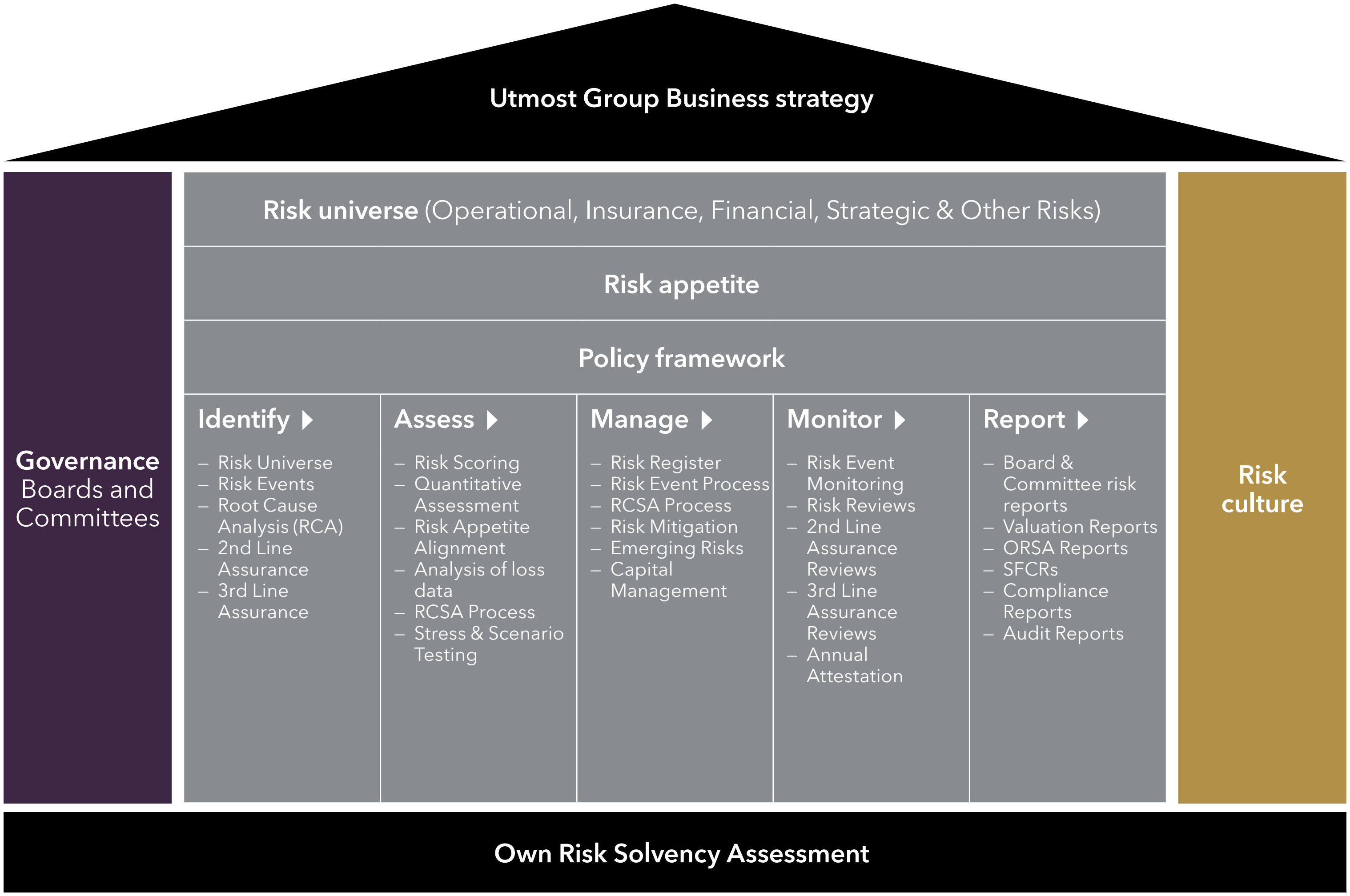
### Risk governance
In accordance with local laws and Solvency II requirements, Utmost Group has established a risk management system. This is defined as a set of strategies, guidelines, processes and procedures aimed at identifying, measuring, monitoring and reporting on a continuous basis the risks to which the operating businesses are exposed.

Risk governance is aimed at establishing an effective organisational structure based on a clear definition of risk roles and responsibilities, and on a set of policies, guidelines and operating procedures. The annual operating plan for each operating business is assessed to ensure that Utmost Group operates within its stated risk appetite.

As part of its governance structure, Utmost Group has established a series of Board Committees in each of its businesses with specific delegated authorities. Further detail on the Board structure and activities of the Committees is set out in the Governance report on page 49. The Risk and Compliance Committees in each of the businesses receive a consolidated risk report on a quarterly basis, detailing the risks facing the relevant business and the overall position against risk appetite limits.

Corporate governance requirements in each jurisdiction require an annual review of the effectiveness of risk management systems. This assessment provides assurance to management and the subsidiary Boards that the risk management framework has been implemented and is operating effectively across the businesses.

## The Group's Risk Management Framework



## Three lines of defence

The internal control and risk management system is put in place across the operating businesses through an ongoing process which involves the subsidiary Boards and senior management of each operating business and the overall organisational structure. The operating business functions involved in the risk management process operate according to the three lines of defence approach:

### First line of defence

Operational management who perform day to day operational activities and self assessment of their risks

- Business entities and functions
- Policies, processes and operating procedures

**Self Assessment**
Perform risk management

### Second line of defence

Control functions who perform oversight of operational management (first line)

- Risk & Compliance
- Actuarial

**Oversight & Monitoring**
Oversight of adherence to risk management framework

### Third line of defence

Independent review and challenge to the level of assurance provided by operational management and control functions (first and second lines)

- Internal Audit
- Other Independent Review

**Independent Assurance**
Perform assurance over the effectiveness of the overall risk management system

### Risk and Control Self-Assessment ("RCSA")

The RCSA is a process through which risks and the effectiveness of controls are assessed and examined for all business activities. The objective is to provide reasonable assurance that all business objectives will be met. The operating businesses first line management perform RCSAs to identify, assess, manage, monitor and report risks on an ongoing basis within their respective areas of responsibility. This is illustrated in the Risk Management Framework diagram on page 37.

### Own Risk and Solvency Assessment ("ORSA")

The ORSA process is a key component of the risk management system which is aimed at assessing the adequacy of the solvency position and the risk profile of each business on a current and forward-looking basis. The ORSA process documents and assesses the main risks to which each operating business is exposed, or might be exposed to on the basis of its strategic plan. It includes the assessment of the risks in scope of the SCR calculation, but also the other risks not included in the SCR calculation. In terms of risk assessment techniques, stress test and sensitivity analysis are also performed with the purpose of assessing the resilience of the risk profile to changed market conditions or specific risk factors.

All results are documented in the ORSA reports, which are reviewed by the relevant Risk and Compliance Committees and Boards. After discussion and approval, the ORSA reports are submitted to the regulator. The information included in the ORSA reports is sufficiently detailed to ensure that the relevant results can be used in the decision-making process and business planning process. ORSA reports are produced on an annual basis.

In addition to the annual ORSA reports, a non-regular ORSA report will be produced if the risk profile of an operating business or the Group as a whole changes significantly. Triggers which would prompt the undertaking of a non-regular ORSA report are monitored on an ongoing basis and reported to the Risk and Compliance Committee of the relevant business quarterly.

### Risk and capital assessment

Utmost Group and its operating businesses, operate frameworks for the identification and assessment of the risks to which they may be exposed and calculating how much capital Is required to be held in relation to those exposures, in alignment with the applicable solvency regulations. The frameworks establish a basis, not only for the approach to risk assessment, management and reporting but also for determining and embedding the capital management policies across the business. Risk assessment activity is a continuous process and is performed on the basis of identifying and managing the significant risks to the achievement of the objectives of Utmost Group. Stress and scenario tests are used extensively in each business to support the assessment of risk and provide analysis of their financial impact. Independent reviews conducted by the operating business risk functions provide further assurance to management and the Boards that individual risk exposures and changes to our risk profile are being effectively managed.

# Principal risks

| Business Risks | Description | Mitigant |
|---|---|---|
| **Insurance Risk** | The Group is exposed to insurance risks when its operating businesses have unfavourable experience, including policy lapses and client retention, client mortality, morbidity, and longevity and business expenses. The Group is also exposed to counterparty risk when transferring risk. | The Group has enhanced its monitoring of actual lapse and client retention experience following the outbreak of Covid-19 to identify the impact on the assumptions made. The Group continues to analyse possible direct and indirect impacts of the pandemic, including the possibility of any detrimental effect on policyholder morbidity and mortality as a result of the long-term effects of Covid-19.<br><br>The Group's operating businesses closely monitor lapse/client retention, mortality, morbidity, longevity and expense experience, to identify any outcomes that are materially different from the assumptions made and factor them into the Group's overall reserving assumptions accordingly.<br><br>The operating businesses transfer a proportion of their insurance risks to reinsurers, in line with the risk appetite, which subsequently exposes them to counterparty risk which they manage by performing due diligence and ongoing monitoring of their reinsurance partners. |
| **Distribution Risk** | The Group is exposed to distribution risk from new business through both Utmost Wealth Solutions (UWS) and Utmost Corporate Solutions (UCS) products. Wealth Solutions business is introduced by partners including Private Banks and IFAs. Corporate Solutions business is introduced by brokers and Generali Employee Benefits ("GEB"), the strategic partner for corporate solutions business. The growth anticipated in the Group's business plans may not materialise if inflows are lower than expected and if our propositions do not meet the requirements of our clients. | UWS is supported by a large number of wealth solutions partners across geographies and client segments who direct business to them. The UWS proposition team tailor the features and design of the products to meet the needs of its clients. They actively identify areas for future growth aligned to the strategic goal of delivering good client outcomes. Feedback is sought from partners on the proposition to ensure it remains relevant, competitively priced and delivers good value.<br><br>UCS works with brokers in each market and maintains panel positions. UCS is the strategic partner of GEB for Ireland, Pan Europe and Global solutions. Its products are unique in the market. UCS work closely with the brokers and with GEB on product development and to ensure our offering remains compelling and relevant.<br><br>Utmost Life and Pensions Limited is a closed book. |
| **Operational Risks** | **Description** | **Mitigant** |
| **Operational Resilience** | The Group relies on its operational process and IT systems to conduct its business efficiently. In the event that these processes and systems do not operate as expected, this may result in unexpected costs and disruptions that could adversely affect the Group's clients, business objectives and damage its reputation. The Group uses specialist outsourcers to provide some capability, but retains its client service teams in-house.<br><br>Cyber-crime continues to be a threat for all organisations, but especially those that hold client personal information and cyber criminals are becoming ever more sophisticated and intrusive. A cyber-attack could affect client confidence, or lead to financial losses. | The Group takes a proactive approach to operational risk management and maintains plans and controls to minimise the risk of disruption to core processes and client servicing due to security or resilience events, including system malfunctions, cybercrime and pandemics. There is increased regulatory focus on all financial services organisations and new UK regulatory requirements are being introduced placing increasing obligations on Boards and senior management to ensure that a high degree of attention is being put into operational resilience. The Utmost Group is aligning its policies and processes to its regulators expectations. Operational stress testing is carried out at regular intervals to demonstrate readiness in a range of scenarios.<br><br>Relationships with outsource providers are actively monitored to ensure operational readiness and oversight mechanisms are in place to ensure preparedness of our suppliers.<br><br>The Group relies on a range of IT systems and client servicing is increasingly carried out online. The security of the Group's IT systems is a priority and we utilise cyber-security capabilities to mitigate IT risk.<br><br>The Group's business continuity plans were invoked in 2020 prioritising employee safety in light of the Covid-19 pandemic with the majority of employees working from home for most of 2020. The Group's approach was to ensure continuity in core function processing, continuity of outsourced processes and minimal disruption to client servicing. Close monitoring of processes and client servicing is in place as well as heightened fraud awareness. |

| Operational Risks | Description | Mitigant |
|---|---|---|
| **Key Man Risk** | The Utmost Group is part-owned by its Founders, who act as Group CEO and Group CFO and Oaktree. | The Utmost Group Limited Board includes the Founders who act as Group CEO and Group CFO, playing a key role in setting the overall strategy for the Utmost Group. In the event of a Founder leaving his role or becoming incapacitated, Oaktree has the global network to identify and recruit suitable replacements. Group Head Office employs a small number of professionals across disciplines to support the Group CEO and the Group CFO; however, the majority of staff are employed by the operating businesses in order to ensure key skills are maintained at that level. |

| Financial and Market Risks | Description | Mitigant |
|---|---|---|
| **Market Risk** | The Group is exposed to market risk through shareholder investments and AMCs on policyholder investments.<br><br>The key market risks are equity risk, currency risk, credit risk and interest rate risk. | The Group is exposed to the risk of adverse market movements, which can impact the value of the Group's policyholder assets and shareholder assets and the fees earned by the Group. The shareholder investment portfolio predominantly comprises of high quality, liquid fixed income holdings. There is no direct exposure to equity investments.<br><br>The Group has an indirect exposure to market risk from AMCs which are based on the underlying portfolio valuation of the policyholders' assets. The policyholders and/or their advisers control the asset allocation of the policyholder assets and these are invested across a diverse range of investment classes. The majority of the assets are in fixed income and equity funds. Policyholders are exposed to the risk of adverse market movements and as such, percentage based fees received are also exposed.<br><br>The Group also has credit risk through the spread on corporate bonds and counterparty default risk on risk mitigating contracts including reinsurance.<br><br>Our products charge a mixture of per policy, also referred to as fixed fees, and AMCs. This diversification reduces the Group's exposure to market risk. |
| **Liquidity Risk** | The Group is exposed to liquidity risk which is the risk of not holding enough assets in sufficiently liquid assets so that liabilities can be met as they arise. The Group is exposed to liquidity risk, mainly from claims arising from policyholder contracts and from servicing debt requirements. | Once claims fall due on our wealth solutions policies, policyholder liabilities are funded by selling the policyholder assets. Claims are paid upon receipt of cash from the sale of securities or fund units which reduces Utmost International's exposure to liquidity risk.<br><br>The Group maintains conservative leverage ratios and high interest coverage ratios and a liquidity buffer is held. The Group forecasts its cash and liquidity position to ensure that it can service its debt requirements and meet expenses due. |

| Strategic and External Environment Risks | Description | Mitigant |
|---|---|---|
| **Integration Risk** | Integration is core to Utmost's strategy as it enables us to reduce expenses, secure financial and operational efficiencies and deliver synergies in our servicing functions. The Group is exposed to the risk of failing to drive value through integration activities. | The Utmost team has a proven in-house capability to deliver the integration of acquired businesses and portfolio transfers. Clear criteria are applied to potential acquisition targets to gain an understanding of the potential benefits and risks. Our due diligence helps ensure acquired businesses contribute in the delivery of our strategic goals including good client outcomes and the delivery of synergies.<br><br>The Group has a Target Operating Model ("TOM") designed to deliver synergies within the operating businesses and align their operational model to the strategic road map. Due diligence is carried out prior to acquisitions to ensure an understanding of the operational architecture and risks. Integration plans are developed in line with the TOM. Financial risks are assessed, and potential benefits are quantified.<br><br>Integration projects have periodic reviews to ensure senior management visibility and early identification of any amendments to budget or timescales. |

| Strategic and External Environment Risks | Description | Mitigant |
| --- | --- | --- |
| **Regulatory and Legislative Change Risk** | Changes in regulation and legislation could increase the expenses of the Group or impact our operational, financial or solvency position. The political environment impacts the environment in which our industry operates and can impact the demand for our products. Tax rules are constantly evolving and can impact the design of our propositions. | The financial services industry continues to see a high level of regulatory activity and supervision. The Utmost Group in its current form was established in October 2020 following the completion of the Group Reorganisation (further detail on page 53) and is now subject to Group Supervision by the PRA. The Group works closely with its regulators to understand any changes in regulation or legislation and implement any requirements effectively.<br><br>The changes in regulation could increase costs or reduce demand for our proposition and can impact the Group's operations. The Group diversification supports stable cash flows and financial performance. Any tax changes would likely apply on a forward-looking basis, rather than retrospectively to the back-book.<br><br>The operating businesses come under the jurisdiction of various financial services regulators, including, the PRA, the FCA, the Isle of Man FSA, the Central Bank of Ireland, the Guernsey Financial Services Commission, the Hong Kong Insurance Authority, the Monetary Authority of Singapore and the Dubai Financial Services Authority. Each operating business monitors and assesses regulatory developments on an ongoing basis to understand the impact of any changing regulation or legislation on their clients and ensure appropriate procedures and policies are in place to address any changes.<br><br>The Group is impacted by the tax laws both of the countries in which it has operations and of the countries into which it sells its products. Tax authorities may introduce changes to the rules governing how insurance products are taxed in the hands of policyholders. These changes may adversely impact future levels of demand for the Group's products.<br><br>From 31 December 2020, the Brexit transition period ended and EU law no longer applies in the UK. Although Brexit is not expected to have a significant impact on the Group's operational activity, the uncertainty of ongoing discussion between the UK and EU regarding financial services, leads to a lack of clarity on how the EU and UK will interact, and the impact on financial services. Changes to the Solvency II regime as a result of EIOPA reviews and the evolution of the UK's regulatory regime following its exit from the EU are not yet finalised and continue to be monitored. The Group has contingency plans in place to ensure we can service our EU and UK clients depending on the outcome of negotiations around Brexit.<br><br>The PRA have introduced new requirements for firms to identify and manage financial risks from climate change which they are expecting to be fully implemented by the end of 2021. Utmost Group are aligning their risk management processes to incorporate the new requirements.<br><br>The size, scale and financial strength of the Utmost Group allows it to respond rapidly to regulatory and legislative change. The Group's geographic diversity means we operate in multiple jurisdictions, meaning demand for our products is more resilient to changes in one region. |
| **Risks from economic environment** | The premiums received from policyholders are invested to enable future returns to be paid and a deterioration in the economic environment can impact the Group's profitability. The economic environment and financial market conditions could have a significant Influence on the value of the Group's assets and liabilities. A deterioration in the economic environment could impact the availability and attractiveness of investments. There remains uncertainty with regards to the trading of financial services with the EU which could negatively affect the UK economy overall. | The global health crisis relating to the Covid-19 pandemic impacted the Group in 2020. The impact was felt across all geographical areas including the UK, our core Continental European regions including Italy and Spain, the Middle East and Asia. The measures taken by these regions' respective governments severely disrupted the Group's operations during H1 2020. Financial markets experienced heightened volatility and uncertainty during the period and growth forecasts were downgraded. New business inflows were impacted by the disruption caused by the pandemic, which led to the suspension of travel and the restriction on in-person meetings in our core markets. In a volatile macroeconomic environment with a vast reduction in economic activity, appetite for our products has remained strong. The long-term nature of our products and their proven effectiveness in assisting clients in wealth preservation has supported new business inflows. |

| Strategic and External Environment Risks | Description | Mitigant |
|---|---|---|
| **Brand and Reputation Risk** | The Group's reputation could be damaged if it is perceived to be acting below the standards expected by its policyholders, regulators and stakeholders, including not sufficiently addressing environmental and social governance concerns. The Group is also exposed to external threats, such as cybercrime. | During 2020 the Group launched its sustainability strategy which sets out our commitment to make a positive difference through our business activities. The strategy is set out along four pillars, which are underpinned by policies and targets, recognising that sustainable business encompasses a range of topics. As the manager of our clients' life and pensions investments, an important pillar of the strategy is investing this money in a responsible manner. We recognise the importance of our role as a long-term allocator of capital and take this responsibility seriously. We adopt a proactive approach to sustainable investment taking environmental, social and governance factors, including climate change, into account in our investment process. Further detail on the Sustainability Strategy is set out on page 22.<br><br>Our support of local charities and local communities by our employees continued through the year. To support their efforts, we have introduced a volunteering policy across the Group enabling our all employees to take paid leave to support good causes in the communities in which the Group operates. |
| **New Technology & Innovation developments** | The Group may not realise its objectives if it does not keep pace with industry technology and innovation and an increased desire from clients for digital and online solutions. | The pandemic highlighted the competitive edge that digital platforms provide when it comes to the distribution of products and services. As face-to-face interaction became impossible, firms with strong digital channels and readiness were positioned to deliver seamless advice and service. A shift to remote working and changing client expectations intensified the importance of the digital transformation throughout the insurance value chain. Clients increasingly expect personalised service with the availability of online servicing alongside in-person support. Digitalisation is a key focus for the Utmost Group. Our online service centre was upgraded as a part of the launch of the new Utmost International website in 2020, to guide clients to relevant products, services and fund information as well as a range of helpful tools and resources. Utmost Group will continue to look to enhance our digital presence to aid client access and create an efficient user experience. Utmost Group has put digitalisation at the core of its operational agenda, with Covid-19 accelerating the shift to the firm of the future. |

# Section 172 (1) Statement

We report here on how our directors have performed their duty under section 172(1) of the Companies Act 2006 ("s.172"). S.172 sets out a series of matters to which the directors must have regard to in performing their duty to promote the success of the Company for the benefit of its shareholders, whilst having regard to its stakeholders, including the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company in maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company (together, the "s.172 matters"). This statement draws upon information contained in other sections of the Strategic Report on pages 7 to 45, particularly the Sustainability Report on pages 22 to 25.

The directors consider it crucial that the Company maintains a reputation for high standards of business conduct. Following the implementation of the Group Reorganisation in October 2020 when the Company became the Group's holding company, the Board has been responsible for setting, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to all of our stakeholders are met. Materials provided to directors on appointment include an explanation of directors' duties, including the s.172 matters, and board materials are presented in a way that encourages their consideration, especially where strategic decisions are required. Directors also recognise their duty to exercise independent judgement and apply reasonable care, skill and diligence in the decision-making process, and as such, their responsibilities to the Company's stakeholder groups.

The Group has processes in place to identify, capture and consider the views of its stakeholders and share their views at relevant levels within the business, from executive management to independently chaired board meetings in the regulated entity subsidiaries. This ensures that stakeholder views are taken into account at all levels of decision-making, particularly at subsidiary board level. Further detail is provided below of our key stakeholders, and where possible, examples of how the directors have taken key stakeholders into account in decision-making processes since October 2020.

– Clients
– Investors
– Employees
– Regulators
– Community
– Environment

### Clients
Clients are at the heart of decision-making processes throughout the business. At the subsidiary board and executive committee level, clients and adviser views are taken into account in discussions and decisions made around products, client service and system infrastructures.

### Investors
As described on page 52 of this report, the Group's significant shareholders are funds controlled by Oaktree Capital Group LLC ("Oaktree"), and the minority investors are the Founders. The Founders serve as executive directors and two senior employees of Oaktree serve on the Board as non-executive directors. This ensures that shareholder views are taken into account alongside those of the Group's stakeholders.

The Group Reorganisation was undertaken following extensive discussions between the Board and the Group's shareholders including Oaktree, the controller of the funds holding the majority ownership. Bringing together Utmost International and Utmost Life and Pensions has simplified the ownership structure resulting in administrative and governance efficiencies for the benefit of all shareholders. Further information on the Group Reorganisation can be found on page 53.

### Employees
Our employees are core to the success of the Group, both individually and collectively. Throughout the period from March 2020 to date, the Covid-19 pandemic has impacted the way that we work. Engagement with employees has been significant through this period and management have taken on board feedback to ensure effective working practices for staff whilst maintaining client and business delivery.

It is an important priority of the Group that our employees enjoy a diverse and vibrant work environment. Initiatives are undertaken in each business to support this priority and ensure that employee views are sought and acted upon, including employee engagement surveys and working groups.

### Regulators
The Company and its subsidiaries proactively participate in periodic meetings and interactions with its regulators as appropriate to fully understand regulatory views and feedback. This includes participation in thematic reviews conducted by the local regulators supervising each area of the business. The businesses operate a horizon scanning process to ensure that upcoming regulatory change, consultations, guidance and 'hot topics' are known and understood, enabling any resulting internal actions to be taken.

Regulatory matters are reported, discussed and actioned at all levels within the Group's governance framework. The Board receives a summary of all material correspondence with the Group's regulators quarterly, which will be discussed by the Audit, Risk and Compliance Committee where necessary. This ensures that directors are kept informed of regulatory matters which could influence the strategic direction of the Group.

In preparation for the Group Reorganisation that took place in October 2020 (described on page 53), the Group underwent consultation with all of its regulators to seek approval for the proposed change in control.

Significant consultation has been undertaken with the PRA, which has become the Group Supervisor since the reorganisation. In response to recommendations from the PRA, the corporate governance structure across the Group is being strengthened and the Company is preparing to appoint two independent non-executive directors, one of whom will take on the Chairman role. In addition, the implementation of a robust system of risk management is underway and is being embedded across the Group during 2021 to support the risk management frameworks in the operating businesses.

### Community

Utmost Group is passionate about having a positive impact not only on the lives of our employees, but also on the communities in which we operate. Initiatives are undertaken in each business to ensure localised support. The subsidiary boards support this activity and monitor levels of community engagement through monthly updates. Where decisions are required that could potentially affect local communities, stakeholder views are sought through employee groups.

### Environment and Energy Usage

Significant progress has been made in the measurement of ESG matters and management of shareholder investments. Further detail on the environmental impact of our proposition is available at page 24.

The Group has recently launched its Sustainability Strategy as detailed on page 22, effected through a newly established Sustainability Working Group. As part of this initiative, increased collaboration is taking place across the Group to ensure that operational best practice is cascaded throughout the operating businesses.

The Group has for the first time this year measured its Greenhouse Gas (GHG) emission sources on a carbon dioxide emissions equivalents basis ($CO_2e$) in respect of the Group's operations, as required under the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013. The table opposite fulfils the requirements of the UK Streamlined Energy and Carbon Reporting ("SECR") framework, including our operational energy and carbon emissions. The data has been collected and prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

Through the Group's worldwide business operations in 2020, 891 tonnes of carbon dioxide or equivalent were emitted into the atmosphere. To compensate for these emissions we will invest in carbon offset projects in respect of our 2020 emissions.

Actions taken to increase our energy efficiency across the Group include sourcing renewable electricity, installation of energy efficient LED, motion activated lighting in our offices, switching off air conditioning and heating out of hours, and a zero single use plastic policy.

### Emissions breakdown by scope

| | 2020 UK Emissions $tCO_2e$ | 2020 Global Emissions $tCO_2e$ | Base Year UK Emissions $tCO_2e$ | Base Year Global Emissions $tCO_2e$ |
|---|---|---|---|---|
| Scope 1 | 20.93 | 62.99 | 20.93 | 62.99 |
| Scope 2 | 48.88 | 658.14 | 48.88 | 658.14 |
| Scope 3 | 16.45 | 83.28 | 16.45 | 83.28 |
| Total Gross Scope 1 & 2 | 69.81 | 721.14 | 69.81 | 721.14 |
| Total Scope 1, 2 & 3 ($tCO_2e$) | 86.25 | 804.42 | 86.25 | 804.42 |
| Total $kgCO_2e$ | 86,253.10 | 804,422.21 | 86,253.10 | 804,422.21 |
| Intensity $kgCO_2e$/£ Revenue | 0.004901 | 0.000355 | 0.004901 | 0.000355 |
| Intensity $kgCO_2e$/Employee | 487.31 | 89.66 | 487.31 | 89.66 |
| Total UK & Global $kgCO_2e$ emissions reporting year | 890,675.31 | | | |

| | Scope 1 & 2 | Scope 3 |
|---|---|---|
| Total UK Energy Consumption (kWh) | 323,477.77 | 26,694.96 |
| Total Global Energy Consumption (kWh) | 3,077,301.06 | 24,917.95 |
| Total UK & Global Energy Consumption (kWh) | 3,452,391.73 | |

# Governance

# Corporate Governance Report

## The Board maintains a high standard of corporate governance across the Utmost Group and upholds a sound structure for setting its strategy and objectives.

### About us

The Utmost Group has been operating since 2013, previously as two separate groups: Utmost International and Utmost Life and Pensions. In October 2020, the Group underwent a reorganisation (the "Group Reorganisation") which brought these two groups together under a single holding company incorporated in England and Wales. The results of Utmost International and Utmost Life and Pensions are consolidated into Utmost Group Limited.

### Our Businesses

Utmost International has two divisions: Utmost Wealth Solutions and Utmost Corporate Solutions. Utmost Wealth Solutions provides insurance-based wealth solutions to clients to help safeguard their wealth for future generations. Utmost Corporate Solutions provides specialist employee benefits including group life, income protection, critical illness cover and pension plans to its international corporate client base. Utmost International operating subsidiaries include Utmost PanEurope DAC, incorporated in Ireland, Utmost Limited, incorporated in the Isle of Man and Utmost Worldwide Limited, incorporated in Guernsey.

Utmost Life and Pensions is a UK life and pensions company which purchases long-established businesses and books of business from major insurance groups, providing a safe home for our clients' existing policies and helping them to plan and save for the long term. The main operating subsidiary is Utmost Life and Pensions Limited ("ULP"), although some policies are held with Equitable Life, a subsidiary of ULP.

### Board of Utmost Group Limited

The Board sets the strategic goals and risk appetite for the Utmost Group. It ensures that each of the operating businesses has adequate resources to ensure delivery of the strategy, reviews the operating and financial performance of the Group, and oversees the execution of the strategy of each operating business. The Board aims to maintain a high standard of corporate governance across the Group and upholds a sound structure for setting its strategy and objectives.

The Company has certain matters reserved to it in accordance with the Shareholder Agreement between Oaktree, the Founders, and the principal holding companies including the Company. A summary of these matters is provided on page 50.

The Board will establish an Audit, Risk and Compliance Committee ("ARCC") in 2021, which will be chaired by an independent non-executive director from September 2021. The ARCC will oversee financial reporting, internal financial controls and risk management systems and processes on behalf of the Board. The Group Internal Audit function will also be overseen by this Committee, as well as the Group's relationship with external auditors.

### Board and committees of operating businesses

The operating companies within the Group are governed by their constitutional documents, local law and regulation, and the Shareholder Agreement. As such, each operating business has its own governance structures, all of which are broadly aligned across the Utmost Group. Boards of each of the regulated operating companies ("subsidiary boards") each have mandates and duties which are drafted to align with the requirements of the Shareholder Agreement and local law and regulation. A summary of these matters is provided on page 50.

The subsidiary boards are comprised of an Independent Chairman and a majority of non-executive directors, including the Founders, who are, as representatives of the Utmost Group and in accordance with the relevant Corporate Governance guidelines, not considered independent. The executive directors are the CEO and CFO of each business. Non-executive directors of each subsidiary board work collectively to fully understand the business and market conditions and provide constructive challenge to executive management. The subsidiary boards each have a Committee structure, which are broadly aligned across the Group.

Each of the subsidiary board delegates certain responsibilities to their board committees. All subsidiary boards have constituted the following Committees:

- Audit Committee
- Risk and Compliance Committee
- Investment Committee
- Remuneration Committee.

The Board of ULP has also formed a Nominations Committee and a With-Profits Committee to assist it in carrying out its duties. Utmost PanEurope DAC also delegates certain administrative responsibilities to a Banking Committee. Further details of each Committee's responsibilities are provided on page 51.

### Strategy and performance

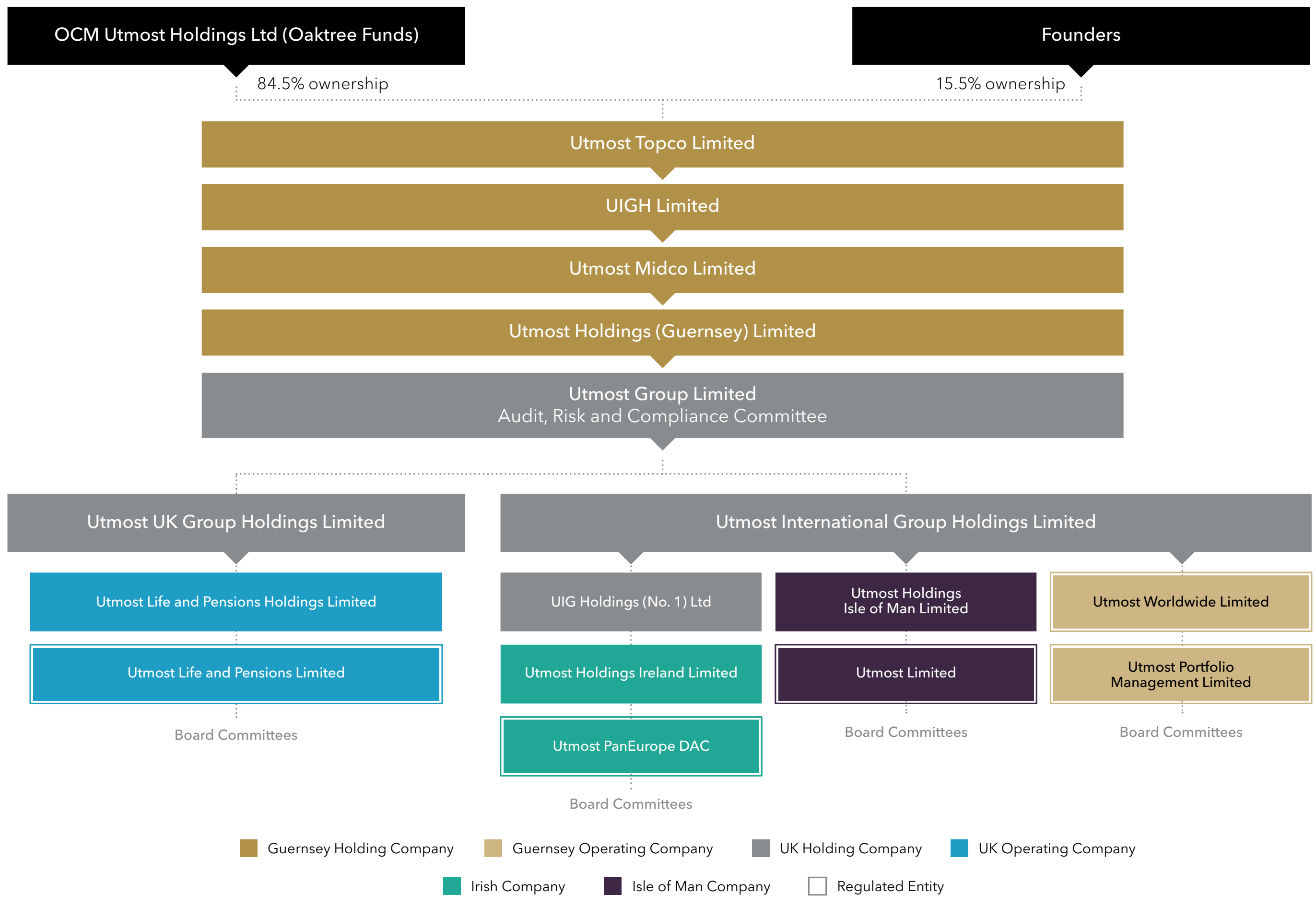
The subsidiary boards each develop their business plans to enable the achievement of the strategic goals of the Utmost Group, whilst ensuring that the entities operate within each of their risk appetites and frameworks. The subsidiary boards also monitor business performance and the ability of each business to execute the agreed strategies. Whilst the Independent Chairman of each business provides leadership of each subsidiary board, day-to-day management is delegated to the Chief Executive of each business, who puts in place their own executive management structure and arrangements.

Each of the subsidiary boards delegates certain responsibilities to their board committees. Both the subsidiary boards and the committees have a rolling annual schedule of decisions and items for discussion, reflecting the annual calendar and corporate activity at the business level. The terms of reference of each of the board committees across the operating businesses within the Utmost Group are also aligned. A summary of the key terms of reference of board committees is provided overleaf.

### A year in review

The Covid-19 pandemic has highlighted the importance of good governance, effective communication and strong information flows. The Board quickly adapted to meeting by video-conference, as did each of the subsidiary boards across the operating jurisdictions. The 2020 Board Effectiveness reviews conducted by each of the subsidiary boards acknowledged that, although it was demanding to gauge the atmosphere and tone in the virtual room, levels of contribution and debate were unaffected and they continued to operate effectively despite the challenges faced. During the critical first months of the pandemic, subsidiary boards received weekly management information documenting client service levels, solvency, financial stability, and progress on the transition of the relevant business to remote working. Despite dealing with these challenges and new ways of working, the Board and each of the subsidiary boards' primary focus has been, and continues to be, developing the right strategy for the Utmost Group and implementing it in a coherent and responsible way.

## Ownership and Governance Structure




The Company is indirectly owned by Utmost Topco Limited ("Topco"), a Guernsey incorporated company. Topco is 84.5% owned by OUHL, a company under the control of Oaktree, which is the ultimate controller of the Group. The remaining 15.5% of Topco is held by Paul Thompson and Ian Maidens, the Founders of the business ("Founders"). OUHL is owned by several funds managed by subsidiaries of Oaktree, whose principal business is to make investments. For further information on the economic and beneficial ownership of the Utmost Group, please refer to the Directors' Report on page 52.

The day to day activities of the Utmost Group are controlled by the Board, which comprises two non-executive directors representing Oaktree, and the Founders. Following completion of the Group Reorganisation, the Board will be strengthened with the appointment of an independent Chairman and an independent non-executive director who will act as Chairperson of the Audit, Risk and Compliance Committee. The Board has identified suitable candidates to undertake both roles and the regulatory approval process is underway. It is expected that the regulatory permissions process and appointment of the two independent non-executive directors will be completed by the end of September 2021.

** In addition to the life insurance entities shown above, there are three additional regulated entities. These are the Equitable Life Assurance Society in the UK, Utmost Portfolio Management Limited in Guernsey, and Utmost Trustee Solutions Limited in the Isle of Man.

Alignment of the activities and processes of the subsidiary boards and governance arrangements across the Group is an ongoing process which commenced prior to the Group reorganisation mentioned above. Initiatives include the introduction and continued strengthening of a Group Risk Management and Policy Framework, the introduction of a Group Corporate Governance Manual, and the implementation of board effectiveness recommendations from each of the subsidiary boards. Each of the Utmost International subsidiary boards will undergo an external evaluation in 2021 which will be reported in the 2021 Annual Report.

During Q4 2020, the Board of Utmost Life and Pensions Limited underwent an external evaluation by BP&E Global Ltd, with the aim of providing an objective and rigorous examination of current Board effectiveness covering, amongst other areas, its decision-making, leadership, independence of INEDs, suitable autonomy, key relationships, and strengths and challenges. The process involved individual questionnaires and interviews with all Board members and other key contributors to Board meetings, as well as observation of Board and Committee meetings. The final report was presented in February 2021, and the Board was commended for how well its dynamics had developed over the past year, despite new INEDs and Executives not having been able to meet in person due to Covid restrictions. It was also noted that the Board had been strengthened with a change in Board composition, that Board processes were very robust, and that delegation and oversight was appropriate. The evaluator also commented that the organisation and quality of Board paperwork was as good as they had seen in the UK insurance sector. A series of recommendations were received, and these have been developed into an action plan that will be tracked through 2021 and beyond.

### Compliance with law and regulation

The Company and its regulated operating subsidiaries comply with local laws and regulations and report to the Regulators as required by Codes and Requirements including:

- The FCA Handbook and the PRA Rulebook;
- The Isle of Man Financial Services Authority's Corporate Governance Code for Commercial Insurers;
- The Central Bank of Ireland Corporate Governance Requirements for Insurance Undertakings; and
- The Guernsey Financial Services Commission's Finance Sector Code of Corporate Governance.

### Conflicts of interests

Each of the regulated operating companies has established procedures in place, dictated by the constitutional documents of each entity, to comply with Isle of Man, Irish and Guernsey law as applicable. The articles allow for interested directors to vote provided they have made the required disclosure to the companies. Directors are permitted to recuse themselves from decisions when they are concerned about a conflict or potential conflict, even though the legal framework allows them to vote on a topic.

### Key matters reserved for the UGL Board

Examples of matters for which consent of the Board of the Company is required include:

- The adoption, amendment or alteration of an annual budget or business plan or the performing of any action inconsistent with the approved annual business plans or budgets;
- Acquisitions, disposals, reorganisations and capital commitments outside of the ordinary course of business or the relevant business plan;
- Financial and capital commitments outside of the relevant business plan;
- Amendments to the constitutional documents of each subsidiary company, including variation of the rights attaching to shares and increasing, reducing or making any other alteration to the share capital of any Utmost International company;
- The appointment, removal or variation to the terms of appointment for directors of any regulated undertaking;
- The declaration of dividends outside of the relevant business plan; and
- Any material changes in nature or scope of any Utmost International company's business.

### Purpose of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee will be responsible for making recommendations to the Board on the appointment of auditors and the audit fee, ensuring that the financial performance of the Company is properly monitored and reported on and reviewing the Company's financial statements and any formal statements on financial performance as well as reports from the Company's auditors on those financial statements. In addition, the ARCC will review the Company's internal control and risk management systems to assist the Board in fulfilling its responsibilities relating to the effectiveness of those systems. The ARCC will meet at least twice a year, or more frequently if required.

### Mandate of the boards of the operating businesses

The duties of the boards of the operating businesses include:

- Developing the high-level strategy for their respective businesses;
- Periodically reviewing the business plans and performance, ensuring that their regulatory responsibilities are discharged efficiently;
- Ensuring that the principles of Treating Customers Fairly are embedded into the culture of each business;
- Ensuring that each business meets the interests of policyholders, customers and shareholders;
- Approving the risk appetite of each business, monitoring the risk governance framework and ensuring that risk management systems and controls are fit for purpose; and
- Determining the appropriate investment parameters for each business.

### Purpose of the subsidiary board committees in the operating businesses

**Audit Committee**

Each subsidiary board has delegated certain responsibilities to its Audit Committee. These include:

- Ensuring that there is a framework for accountability;
- Examining and reviewing all systems and methods of financial control;
- Ensuring that each company is complying with its Articles of Association;
- Ensuring compliance with all applicable legal and regulatory requirements; and
- Overseeing all matters relating to the relationship between the business, its subsidiaries, and the External Auditors.

**Risk and Compliance Committee**

Each subsidiary board has established a Risk and Compliance Committee to assist with oversight of the risk management and compliance culture within the businesses and ensuring compliance with all legal, regulatory and administrative arrangements. Its responsibilities include:

- Identifying and managing of key risks, ensuring that the risk appetite is appropriate and adhered to;
- Reviewing and monitoring the regulatory capital position and adherence to regulatory requirements;
- Monitoring the risk, control and compliance exposure of the business;
- Reviewing and monitoring the risk management and compliance policies and recommending them to the subsidiary boards for adoption; and
- Ensuring the effectiveness of the Own Risk and Solvency Assessment ("ORSA").

**Investment Committee**

The Investment Committees are established to identify, monitor and control the investment activities of each business, ensuring that investment performance is reported to the relevant boards of directors as required. A key responsibility of the Investment Committees is to recommend the overall strategic investment policy for the business to which it relates, and ensure that procedures and controls are in place in respect of matters including:

- The overall asset allocation and balance of the shareholder and internal funds;
- Determination of sector, currency, geographical, fund manager or specific stock risk;
- The selection and choice of the internal funds and internal fund managers;
- Funds' liquidity; and
- Operational issues concerning the management and administration of the assets of the entity to which the Committee relates.

**Remuneration Committee**

The duties of the Remuneration Committees of each business include:

- Setting the Remuneration Policy and overseeing any major changes in employee benefits structures throughout each business;
- Recommendation and monitoring of the level and structure of remuneration for directors and senior management, having regard to pay and employment conditions across the operating jurisdiction or company;
- Within the agreed Policy, recommending the design of and targets for performance-related pay schemes operated by each business to their respective boards, and approving the total annual payments made under such schemes;
- Reviewing any contractual terms on termination and ensuring that any payments made are within the terms of the Remuneration Policy; and
- Review of the overall remuneration budget and structure for each business, and provide accompanying recommendations to their respective boards where required.

**Nominations Committee**

The Nominations Committee ensures that the ULP has a rigorous and transparent procedure in place to manage the appointment of new directors to the board of ULP, and to ensure that the ULP board and its committees have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their responsibilities effectively, including succession planning.

**With-Profits Committee**

The With-Profits Committee has been constituted by the board of ULP to act in an advisory capacity to inform decision-making by the board in relation to the management of the ULP With-Profits Sub-Funds ("WPSFs"). The WPC advises the ULP board on the way in which each of the WPSFs is managed, including adherence to the Principles and Practices of Financial Management ("PPFM") and the future distribution of surplus in the WPSFs, paying close regard to policyholders' reasonable expectations and in keeping with Treating Customers Fairly principles.

**Banking Committee**

The Banking Committee established by Utmost PanEurope DAC ensures that regular administrative matters can be dealt with by the directors without recourse to the Board.

# Directors' Report

For the year ended 31 December 2020

The directors present their report together with the audited consolidated and Company financial statements for the year ended 31 December 2020.

### Principal Activities

Utmost Group Limited (the "Company") is a private limited company incorporated in England and Wales (registered no. 12268786) under the Companies Act 2006. The Company was incorporated on 17 October 2019. The principal activity of the Company is to act as a holding company for the life assurance businesses operated by its principal subsidiaries, Utmost Life and Pensions Limited ("ULP") (registered in England and Wales), Utmost PanEurope DAC ("UPE") (registered in Ireland), Utmost Limited (registered in the Isle of Man), and Utmost Worldwide Limited ("UW") (registered in Guernsey).

The Company and its subsidiaries as detailed in note 4 of the consolidated financial statements are together referred to as "the Utmost Group".

### Directors and Secretary

The directors and secretary who held office during the year and to date are set out below:

- Paul Thompson
- Ian Maidens
- Chris Boehringer (appointed 1 October 2020)
- Katherine Ralph (appointed 2 February 2021)
- Corinna Bridges (Secretary)

The Company Secretary had no beneficial interests in the shares of any group company. Two directors, Paul Thompson and Ian Maidens, have an equity interest in Topco. Details of these interests are disclosed in note 35 of the consolidated financial statements.

### Results and dividend

The result for the year is shown in the Consolidated Statement of Comprehensive Income on page 66.

Dividends totalling £175m were paid during the year.

### Ownership

The ultimate parent company into which the Company's results are consolidated is Topco (illustrated in the structure chart on page 49). Topco is part-owned 15.5% by the Founders and 84.5% by funds managed by subsidiaries of Oaktree. Oaktree is a leading global investment manager specialising in alternative investments with $153bn in assets under management as of 31 March 2021. Oaktree has over 1,000 employees and offices in 19 cities worldwide. Oaktree is regulated by the US Securities and Exchange Commission (SEC) and its UK entity, Oaktree Capital Management (UK) LLP, is authorised and regulated by the FCA.

The economic beneficiary owners of the Utmost Group are the Founders and the limited partners in the Oaktree Funds, none of whom play any part in the management of those Funds. The management of the Funds is delegated to the General Partners of the Funds, controlled by Oaktree. Oaktree therefore has significant indirect control of the investments in the Oaktree Funds, and is deemed the ultimate significant controller of the Company. Brookfield Asset Management ("Brookfield") owns a majority interest of approximately 62% of Oaktree's business on an economic basis, and an approximate 14% voting interest. Brookfield is an alternative asset manager and Brookfield and Oaktree together have over $600bn in assets under management. Brookfield is regulated by the US Securities and Exchange Commission ("SEC") in the United States, and the Canadian Securities Administrators ("CSA") in Canada.

While partnering to leverage one another's strengths, Oaktree operates as an independent business within the Brookfield family, with its own product offerings and investment, marketing, and support teams. Following completion of the acquisition in 2019, two of the ten directors of the Board of Oaktree are Brookfield representatives. The day-to-day activities of the Company are controlled by the Board, comprised of the Founders and representatives of Oaktree.

### Independent Auditor

PricewaterhouseCoopers LLC has been appointed as auditors to the Company and have expressed their willingness to continue as auditors.

### Going concern

At the time of preparing and approving the financial statements, the directors have a reasonable expectation that the Company and Group have sufficient resources to continue in operational existence for the foreseeable future. The Company and Group therefore continue to adopt the going concern basis in preparing its individual and consolidated financial statements.

In making the going concern assessment for the foreseeable future the directors considered various assessments and stresses are applied to those positions to understand potential impacts of market downturns. These stresses, including the additional considerations applied in response to Covid-19, do not give rise to any material uncertainties over the ability of the Group to continue as a going concern. Based upon the available information, the Directors consider that the Group has the plans and resources to manage its business risks successfully and that it remains financially strong.

The directors have assessed the principal risks and uncertainties discussed in the Strategic Report, both in light of Covid-19 and the current economic climate, and have taken into consideration the guidance provided by the Financial Reporting Council ("FRC") on `Going Concern and Liquidity Risk' published in April 2016. The directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

### Covid-19

The Covid-19 virus has spread to pandemic levels globally and has caused a period of economic recession and significant market uncertainty. The impacts of Covid-19 on the Group have been limited and management have mitigated these through:

- Maintaining client service standards. Client service standards are continuously monitored to ensure that remote working by staff does not negatively impact service standards.
- Solvency of the Group. Management continuously monitors the Group's solvency and is modelling stress scenarios as more data relating to Covid-19 becomes available.
- Measures taken to control Covid-19 on ensuring the safety of its staff, clients and partners.
- Business activity indicators including new business, client activity and lost business to ascertain if any assumptions from earlier dates may need to be revised.

The Group is subject to ongoing stress testing based on extreme market conditions and holds adequate capital and liquidity to withstand such conditions. The Group's international life insurance entities (Utmost Limited, Utmost PanEurope DAC and Utmost Worldwide Limited) have been assigned an Insurer Financial Strength ratings of `A' from Fitch Ratings. Fitch's assessment of the Group's strength to pay its insurance obligations is driven by its strong capitalisation, low leverage and business profile. New business levels in 2020 have performed well, and surrender levels remain in line with expectations pre-Covid-19. At the date the financial statements were approved the Company's and Group's solvency and liquidity positions remain strong. The directors and management are continually monitoring the potential impacts on the Group, including its key financial metrics including the solvency coverage ratio.

### Key events during the year

**Ownership**

On 28 January 2020, the ownership of the Company was transferred from UUG Holdings (No 3) Ltd (now dissolved) to Utmost Holdings (Guernsey) Limited ("UHGL"). At that time, there was a single ordinary share of £1.00 in issue and the share was transferred for consideration of £1.00.

**Change in name**

The Company changed its name from Utmost International Group Limited to Utmost Group Limited on 1 June 2020, to prepare for the Group Reorganisation referred to below.

**Group Reorganisation**

On 15 September 2020, in preparation for the Group Reorganisation, the Company entered into the Second Amended and Restated Facilities Agreement with Lloyds Bank Plc, National Westminster Bank Plc, ABN Amro Bank N.V. and ING Bank N.V., whereby the Company acts as Guarantor to the Senior Facility Agreement ("SFA") entered into by its parent, UHGL.

In October 2020, the Utmost Group underwent a reorganisation, having operated as two separate Groups up to that date: Utmost International Group Holdings and Utmost UK Group Holdings. The reorganisation resulted in the two businesses being brought together in one insurance group, resulting in the Company become a Controller of all of the Utmost businesses, and allowing for Group Supervision by the PRA. There was no material change in the ultimate significant economic ownership and control of the Utmost Group. Oaktree has retained 84.5% of the Group, and the Founders hold 15.5%. To bring about the reorganisation, the Company purchased each of the businesses in the Group at fair value, based on an independent valuation of the businesses as at 30 June 2020. The reorganisation was conducted in a series of steps, all of which were completed on 1 October 2020.

Acquisition of the Isle of Man business: Following receipt of consent from the Isle of Man FSA, UHGL sold UIGHL (the holding company of the Utmost Isle of Man business) to the Company along with its subsidiaries including Utmost Limited. The consideration for the transaction was £266,016,186, settled through the issue of 266,016,186 ordinary shares of £1.00 each to UHGL.

Acquisition of the Irish business: Following receipt of consent from the Central Bank of Ireland, the Guernsey incorporated holding company of the Irish business, UIGH2, was sold to the Company's subsidiary, UIGHL for fair value, along with its subsidiaries including Utmost PanEurope DAC. The consideration for the transaction was £315,036,502, settled through the issue of 315,036,502 ordinary shares of £1.00 each to UHGL.

Reorganisation of external debt: To align the external debt with the reorganisation, UHGL drew down €80m on its amended debt facility in order that its subsidiary, UIGH3, could repay its obligations under the existing Euro SFA which had been put in place for the Irish business. As part of this process, the Company issued 73,184,000 shares of £1.00 to UHGL in return for cash consideration of £73,184,000, which it used to subscribe for shares in UIGHL in return for cash consideration. UIGH then subscribed for shares in UIGH2, which subscribed for shares in UIGH3. Shares were subscribed for cash consideration, which was then used by UIGH3 Limited to repay its Euro SFA in full. The Guernsey incorporated holding companies included in this transaction, UIGH2 and UIGH3, have now been dissolved through the Guernsey merger by amalgamation process.

Acquisition of the Utmost Worldwide business: Following receipt of consent from the Guernsey Financial Services Commission, the Hong Kong Insurance Authority, and the Dubai FSA, UHGL sold Utmost Worldwide Limited and its subsidiaries to the Company for fair value in return for an issue of 313,429,313 shares of £1.00 each.

Reorganisation of the external debt in relation to the UK business: To prepare for the acquisition of the UK business, UHGL drew down £100m on its amended debt facility in order that its indirect subsidiary, UUG Holdings (No 3) Limited, could repay its obligations under the existing UK SFA which was in place in respect of the UK business. As part of this process, UHGL made a capital contribution of £100m to UUGH2, which made a capital contribution of £100m to UUGH3, which was then used by UUGH3 to repay its UK SFA in full. The Guernsey incorporated holding companies, UUGH2 and UUGH3, have now been dissolved through the Guernsey merger by amalgamation process.

Acquisition of the UK Business: Following receipt of consent from the PRA, the holding company of the UK business, UUGHL, was sold to the Company for fair value, along with its subsidiaries including Utmost Life and Pensions Limited. The consideration for the transaction was £238,882,000, settled through the issue of 238,882,000 ordinary shares of £1.00 each to UHGL.

Capital Reduction: On 1 October 2020 the directors and members resolved to reduce the share capital of the Company by 1,106,548,002 ordinary shares through the solvency statement procedure set out in the Companies Act 2006. Following completion of the capital reduction, the Company's issued share capital is 100,000,000 ordinary shares of £1.00 each.

**Internal Debt Reorganisation**
On 9 November 2020, the Group commenced a process to reorganise its internal debt, whereby UHGL held €119m of Tier 2 loan notes listed on The International Stock Exchange ("TISE") issued by UIGH1 and £60m of TISE Listed Tier 2 loan notes issued by UUGHL ("the TISE Notes"). UUGHL held £60m of senior debt issued by ULPH, and ULPH held £60m of Tier 2 debt issued by ULP. The first step of this process was for the Company to issue £300m of subordinated fixed rate loan notes to UHGL.

Repurchase of €119m TISE Listed Tier 2 loan note: The Company made a capital contribution of £112,403,844 to UIGHL, (in respect of the €119m loan note plus accrued interest of €5,768,267). UIGHL then made a capital contribution of £112,403,844 to UIGH1, which used this to repurchase the €119m loan notes and pay the accrued interest due to UHGL.

Repurchase of £60m TISE Listed Tier 2 loan note: On 9 November 2020, the Company subscribed for 60,000,000 ordinary shares of £1.00 each at par in its subsidiary, UUGHL, which in turn subscribed for 60,000,000 ordinary shares of £1.00 each at par in its subsidiary ULPH. ULPH then subscribed for 60,000,000 ordinary shares of £1.00 each in ULP. ULP used the subscription monies to repay the £60m Tier 2 debt instrument to ULPH plus accrued interest of £1,685,753, which used this to repay the £60m senior debt owed to UUGHL, plus accrued interest of £1,685,783. UUGHL then repurchased the £60m TISE Listed Tier 2 loan notes plus accrued interest of £1,680,000.

Following completion of the repurchase of the TISE Notes, the Company paid a dividend of £126,574,303 to UHGL. The subordinated fixed rate loan notes were listed on TISE on 15 December 2020.

### Events subsequent to the year-end
Interim dividends of £35m and £9m were declared on 24 March and 12 May 2021 and paid on 25 March and 13 May 2021 respectively to the Company's immediate parent, Utmost Holdings (Guernsey) Limited.

The Strategic Report also highlights the post balance sheet event for the signing of a Sale and Purchase Agreement in respect of the Quilter International business. On 31 March 2021, in preparation for the execution of the Sale and Purchase Agreement, the Company entered into the Third Amended and Restated Facilities Agreement with Lloyds Bank Plc, National Westminster Bank Plc, ABN Amro Bank N.V. and ING Bank N.V. The changes made included an extension of the Facility to five years from 31 March 2021, and the replacement of LIBOR with the compounded Sterling Overnight Index Average ("SONIA"). To support the execution of the Sale and Purchase Agreement in respect of the Quilter International business, the Third Amended and Restated Facilities Agreement provides for a new £275m term loan facility known as Facility B to support the consideration payable upon completion of the acquisition. As a Guarantor to the Senior Facility Agreement ("SFA") entered into by its parent, UHGL, the Company entered into the required agreements in connection with the new arrangements.

Further detail on events which took place subsequent to the year-end is provided in note 37 of the consolidated financial statements.

### Qualifying Indemnity Provision
During the year, the Company has purchased and maintained liability insurance for its directors and officers as permitted by the Companies Act 2006.

### Political Donations
The Company made no political donations during 2020.

### Equal Opportunities and Health & Safety
We are committed to a policy of equal opportunity in employment and will continue to select, recruit, train and promote the best candidates based on suitability for the role. We treat all employees and applicants fairly regardless of race, age, gender, marital status, ethnic origin, religious beliefs, sexual orientation or disability. Unconscious bias training has been offered to employees to ensure fair treatment of all employees and prospective employees. We ensure that suitable policies are in place across the businesses to ensure that no employee suffers harassment or intimidation. We place a great deal of importance on the health, safety and welfare of our people. Relevant policies, standards and procedures are reviewed on a regular basis to ensure that hazards or risks are removed or reduced to minimise or, where possible, exclude the possibility of accident or injury to employees or visitors. All employees are made aware of these policies and are aware that they have a duty to exercise responsibility and do everything possible to prevent injury to themselves and others.

### Modern Slavery Act
Our internal policies governing the prevention of modern slavery from taking place in our business dealings are kept under review on an annual basis. We take active steps to monitor our supply chain to satisfy ourselves that our suppliers are not engaging in any form of modern slavery or human trafficking. As a part of our Sourcing and Procurement policies, we identify suppliers that support the delivery of core services and review their adherence to the Modern Slavery Act on an annual basis. To date, no matters of concern have arisen.

Our Modern Slavery Statement details the policies that we have in place and the ongoing actions that are being taken across the Group to continue to support the combating of modern slavery and human trafficking in supply chains. This is published on our website pursuant to the provisions of the Modern Slavery and Human Trafficking Act 2015.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Group and Company have also prepared financial statements in accordance with and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the directors are required to:

– Select suitable accounting policies and then apply them consistently;
– Make judgements and estimates that are reasonable and prudent;
– State whether applicable accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
– Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Under predecessor accounting the financial statements for the year ended 31 December 2020 and the comparative results for the year ended 31 December 2019 are presented on the basis that the reorganisation had occurred before the start of the earliest period presented. Consequently, the comparative result and financial position for the Group as presented for the 31 December 2019 period were not subject to audit and are therefore presented as unaudited. In addition, and as a result of the Company being dormant in 2019, the comparative result and financial position presented for the 31 December 2019 period are unaudited.

### Disclosure of information to Auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as each is aware, there is no relevant audit information of which the Group's and the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's and the Company's auditor is aware of that information.

### Disclosure in the Strategic Report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted and included in the Strategic Report on pages 7 to 45.

– Likely future developments in the business of the Company and its subsidiaries;
– Details of Post Balance Sheet events;
– Principal risks, risk management and the use of financial instruments

The Strategic Report comprising pages 7 to 45 of this Annual Report and Accounts, and the Governance Report comprising pages 47 to 55, were approved by the Board of directors and signed on its behalf by:

**Ian Maidens**
Group Chief Financial Officer
18 May 2021

# Financial Statements

## Report on the audit of the financial statements

### Opinion

In our opinion, Utmost Group Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2020 (the "Annual Report"), which comprise: Consolidated and Company Statements of Financial Position as at 31 December 2020; the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Our audit approach

#### Context

PricewaterhouseCoopers LLP United Kingdom have been appointed as the auditors of Utmost Group Limited (UGL) Group and Company and this is the first year of audit. Following a group reorganisation in 2020 described in the Annual Report, the Utmost UK and International branded businesses were transferred to UGL as the intermediate parent company (the "parent").

#### Overview

Audit scope

- We have performed a full scope audit of the complete financial information of the Group and Company in accordance with our materiality and risk assessment.
- We have performed audit procedures that have assessed the extent of the impact of COVID-19, in particular on the valuation of insurance contract liabilities, the Group's ability to continue meeting regulatory solvency capital requirements, and the Group's financial performance, as well as the ability of the Group to continue as a going concern.
- The Group has applied predecessor accounting given the entities acquired are under common control, and this treatment is reflected in the comparative figures. We have considered the requirements of ISA (UK) 510 Initial Audit Engagements for the opening balances.

Key audit matters

- Valuation of insurance contract liabilities – Longevity Assumptions (group)
- Valuation of insurance contract liabilities – Expense Assumptions (group)
- Actuarial model migration (group)
- Accounting for the acquisition of Equitable Life Assurance Society (group)
- Valuation of Investments in subsidiaries (parent)
- Impact of COVID-19 (group and parent)

Materiality

- Overall group materiality: £21,286,000 based on 2.5% of Net Assets.
- Specific group overall materiality: £701,792,000 based on 2% of assets held to cover linked liabilities, investment contract liabilities and associated income statement line items.
- Overall company materiality: £11,984,000 based on 1% of Net Assets.
- Performance materiality: £15,964,000 (group) and £8,988,000 (company).
- Specific performance materiality of assets held to cover linked liabilities, investment contract liabilities and associated income statement line items: £526,344,000 (group).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### Key audit matters

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

This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of insurance contract liabilities – Longevity Assumptions (group)**<br>Refer to Note 21 Insurance contract liabilities and Note 30 Risk management in the Consolidated Financial Statements.<br><br>Longevity assumptions are an area of significant management judgement, due to the inherent uncertainty involved. Whilst Utmost Group Limited manages the extent of its exposure to longevity risk through reinsurance, we consider these assumptions underpinning gross insurance contract liabilities to be a key audit matter given the Group's exposure to annuity business in the UK and Guernsey.<br><br>The longevity assumption has two main components:<br><br>**Base mortality assumption**<br>This part of the assumption is mainly driven by internal experience analyses, but judgement is also required. For example, in determining the most appropriate granularity at which to carry out the analysis; the time window used for historic experience, or whether data should be excluded from the analysis; and in selecting an appropriate industry mortality table to which management overlays the results of the experience analysis.<br><br>**Rate of mortality improvements**<br>This part of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data. The Continuous Mortality Investigation (CMI) provides mortality projection models which are widely used throughout the industry and contain a standard core set of assumptions including initial rates of improvement, calculated by the CMI based on the most recent available population data. | We performed the following to test the longevity assumptions (including base mortality assumptions, future mortality improvements and prudential margins):<br>– Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to statistical analysis and by applying our industry knowledge and experience;<br>– Tested the controls in place around the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within actuarial models;<br>– Validated the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the selection and parameterisation of the CMI model including the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages;<br>– Assessed the appropriateness of the prudence margin;<br>– Compared the annuitant mortality assumptions selected by management against those used by peers using our annual survey of the market;<br>– In respect of the Covid-19 pandemic, we have assessed management's considerations of potential changes in current and future expected rates of annuitant mortality and their conclusion not to include any short-term or long term adjustments to their longevity assumptions in relation to this; and<br>– Assessed the disclosure of the annuitant mortality assumptions, changes in these assumptions over 2020 and their sensitivities.<br><br>Based on the audit procedures performed and evidence obtained, we consider the longevity assumptions used in the valuation of insurance contract liabilities to be appropriate. |
| **Valuation of insurance contract liabilities – Expense Assumptions (group)**<br>Refer to Note 21 Insurance contract liabilities and Note 30 Risk management in the Consolidated Financial Statements.<br><br>Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities. In the UK business the methodology used to allow for expenses includes an allowance for the diseconomies of scale as the business volumes decline. These assumptions require significant judgement. | We performed the following procedures over maintenance expenses:<br><br>– We understood and tested the governance process in place to determine the maintenance expense, expense inflation assumptions and allowance for diseconomies of scale (UK);<br>– We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience;<br>– Where maintenance expenses are based on budgeted levels of expenses we tested and challenged these by comparing the 2020 actuals against the 2020 budget;<br>– Where maintenance expenses are based on historic costs we have checked that these reconcile to the total expenses;<br>– We have assessed the classification of expenses between ongoing and one-off costs and those that are fixed or variable to supporting evidence;<br>– We tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in force at the balance sheet date;<br>– Assessed the appropriateness of the prudence margin; and<br>– We have reviewed and challenged significant judgements and assumptions used, particularly relating to the allowance for spreading of fixed costs over the reducing portfolio of business as it runs-off and assumptions over expected future efficiency savings.<br><br>Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Actuarial model migration (group)**<br>Refer to Note 21 Insurance contract liabilities and Note 10 Acquired value of in-force business in the Consolidated Financial Statements.<br><br>Management uses proprietary software to calculate insurance contract liabilities and reinsurance assets for the majority of products. During 2020, management migrated actuarial models:<br><br>– for the valuation of the UK insurance contract liabilities at 31 December 2020; and<br>– for the valuation of the Utmost Worldwide insurance contract liabilities at 31 December 2020.<br><br>There is a risk that the resultant model used as at 31 December 2020 did not calculate the liabilities accurately following migration. | Given the complexity of the calculations performed by these models, we have undertaken procedures to ensure that the model migrations have been undertaken such that no material errors have arisen and that the accuracy of the calculations within the models are appropriate for each material product. We have undertaken the following procedures:<br><br>– Assessed the results between the old and new actuarial models for consistency, including reviewing key changes in methodology between models;<br>– Assessed whether any subsequent developments of the new models during the year are appropriate;<br>– Reviewed the materiality of management's residual model limitations and concluded on the appropriateness of these limitations;<br>– For the UK model migration we have reviewed the model baselining performed by the actuarial function for a sample of policies and product features to ensure that the cash flows generated by the model are accurate and follow management's stated methodology;<br>– Also for the UK model migration we have tested the calculations performed in the sample against our expectations and the stated accounting policies; and<br>– For the Utmost Worldwide model migration we used our own independent model to reproduce the reserves for each material product portfolio and tested these against the results from the Iris model to within our materiality threshold.<br><br>Based upon the results of our testing, we have not identified any issues in respect of the new actuarial model. |
| **Accounting for the acquisition of Equitable Life Assurance Society (group)**<br>Refer to Note 4 Subsidiaries in the Consolidated Financial Statements.<br><br>On the 1 January 2020, Utmost Life and Pensions Limited (ULP) acquired Equitable Life Assurance Society (ELAS) following a business transfer agreement (BTA) which was signed on the 14 June 2018 under which ULP agreed to purchase the business. Members within ELAS received an uplift to their with profit assets prior to their policies converting to unit linked products. Subsequent to the uplift, the UK business of ELAS transferred to ULP, under Part VII of the Financial Services and Markets Act 2000 (FSMA). The German and Irish policyholders remained within ELAS.<br><br>ULP has accounted for the transfer as the acquisition of a business using acquisition accounting in accordance with IFRS 3 (Business Combinations), as a result all assets and liabilities have been measured at fair value at the date of transfer.<br><br>As a result of the acquisition, management have recognised Present Value in Force (PVIF) in accordance with IFRS 4 Insurance Contracts of £85.6m. In addition, a gain on bargain purchase of £86.2m has also been recognised as an income in the Statement of Comprehensive Income.<br><br>There is a risk that the uplift has been applied incorrectly and a risk that there is an estimation error on the PVIF balance. | We have performed the following audit procedures relating to the material components of the acquisition, our audit procedures included the following:<br><br>**Uplift of with profit assets to unit linked assets**<br>– We have obtained an understanding of the governance process that management had in place to verify the uplift calculation; and<br>– To obtain comfort that the uplift was accurate and complete, on a sample basis we recalculated the uplift value by applying agreed uplift factors.<br><br>**Part VII transfer**<br>– To obtain comfort that the PVIF has been accounted for incorrectly, we have tested the adjustments required to the insurance contract liability and reinsurance assets on an Utmost statutory basis to the Solvency II basis considering the differing methodologies, economic and non-economic assumptions on each basis;<br>– We have checked the calculation of the Solvency II risk margin, including the supporting non-hedgeable risk capital requirements, and have tested the inputs, assumptions, capital projections and aggregation of the combined ex-ELAS and ULP business; and<br>– Reviewed the appropriateness of the methodology used to derive the Acquired Value in Force (AVIF), the fair value adjustments required to Solvency II and the completeness and appropriateness of the accounting alignment adjustments applied to derive the AVIF; and<br>– We have tested the adjustments to the insurance contract liability and reinsurance assets for non-linked business to the opening 1 January 2020 Utmost statutory basis, considering the differing economic and non-economic assumptions on each basis.<br><br>Based upon the results of our testing, we have confirmed that the uplift applied to the with profit assets within ELAS has been applied correctly and the PVIF calculated as a result of the acquisition has been calculated correctly. |

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Valuation of Investments in subsidiaries (parent)**<br>Refer to Note 2 Critical accounting estimates and Note 3 Investment in subsidiaries of the Company Financial Statements.<br><br>Investment in subsidiary balances are held at fair value in accordance with IAS 27 Consolidated and Separate Financial Statements. Investments in holding companies (unregulated entities) are valued using net asset value which is treated by the group as a proxy for fair value. Investments in underlying insurance companies (regulated entities) are valued using an economic value basis.<br><br>The valuation of the investment in subsidiary balance held by Utmost Group Limited is £1.4bn which is material for the parent company.<br><br>There is a risk that due to the level of estimation uncertainty in deriving the fair value of the investment in subsidiary balance that it does not meet the definition of fair value per IFRS 13 Fair Value. | We have performed the following audit procedures to obtain comfort on the valuation of the investment in subsidiary balance:<br><br>– For investments in holding companies (unregulated entities) we have considered the appropriateness of using net asset value as a proxy for fair value, by considering the measurement basis used for material financial statement line items included within the holding companies; and<br>– For investments in underlying insurance companies (regulated entities) we have considered whether the use of economic value is an appropriate proxy for fair value considering multiples applied to recent acquisition activity in the market by performing the following procedures:<br>– We have considered the appropriateness of adjustments processed from reported Own Funds to Adjusted Own Funds such as contract boundary, risk margin etc; and<br>– We have considered the appropriateness of the methodology applied by management to calculate the multiple used in the valuation of the investment in subsidiary balance.<br><br>Based upon the results of our testing we are satisfied that the fair value of the investment in subsidiary balance does meet the definition of IFRS 13 Fair Value. |
| **Impact of COVID-19 (group and parent)**<br>Refer to Note 31 COVID-19 of the Consolidated Financial Statements<br><br>The impacts of the global pandemic due to the Coronavirus COVID-19 continue to cause significant social and economic disruption up to the date of reporting. We have identified the following key impacts:<br><br>**Ability of the entity to continue as a going concern**<br>There are a number of potential matters in relation to COVID-19 which could impact on the going concern status of Utmost Group Limited and the Company. Using downside scenarios, the Directors have considered the ability of Utmost Group and the Company to remain solvent with sufficient liquidity to meet future obligations.<br><br>There are a number of potential matters in relation to COVID-19 which could impact on the going concern status of Utmost Group Limited and the Company. Using downside scenarios, the Directors have considered the ability of Utmost Group and the Company to remain solvent with sufficient liquidity to meet future obligations.<br><br>**Impact on estimation uncertainty in the financial statements**<br>The pandemic has increased the level of estimation uncertainty in the financial statements. The Directors have therefore considered how COVID-19 has impacted the key estimates that determine the valuation of material balances, particularly insurance contract liabilities and financial investments.<br><br>**Qualitative Disclosures in the Annual Report and Financial Statements**<br>In addition, the Directors have considered the qualitative disclosures included in the Annual Report in respect of COVID-19 and the impact that the pandemic has had, and continues to have, on the Group and Company. | In assessing management's consideration of the impact of COVID-19 on the Group and Company we have performed the following procedures:<br><br>– Obtained management's updated going concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of performance, review of regulatory correspondence and obtaining further corroborating evidence;<br>– Considered information obtained during the course of the audit to identify any evidence that would contradict management's assessment of the impact of COVID-19;<br>– Inquired and understood the actions taken by management to mitigate the impacts of COVID-19;<br>– Assessed the impact of COVID-19 on the design and operating effectiveness of the control environment;<br>– Challenged management's judgements in the valuation of the insurance contract liabilities, including longevity and expense assumptions, in light of the emerging COVID-19 experience and by comparing these relative to industry peers; and<br>– Reviewed the appropriateness of disclosures within the Annual Report with respect to COVID-19 and, where relevant, considered the material consistency of this other information to the audited financial statements and the information obtained in the audit.<br><br>Based on the work performed, we consider the impact of COVID-19 has been appropriately reflected in the Annual Report.<br><br>Based on the procedures performed and evidence obtained, we agree with the Directors' conclusions in respect of going concern, assess the insurance contract liabilities balance as reasonable and consider the disclosure of COVID-19 in the financial statements to be appropriate. |

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

The Group comprises of wholly owned subsidiaries, which include regulated insurance entities operating in the United Kingdom, Isle of Man, Guernsey, and Ireland. This financial period is the first year that the Group has operated its new group structure and its governance structure and Group financial reporting controls continue to be enhanced.

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

Based on the output of our risk assessment, along with our understanding of the Utmost Group structure, we performed full scope audits over the following components: Utmost UK Group Holdings Limited, Utmost International Group Holdings Limited, Utmost Life and Pensions Holdings Limited, Utmost Worldwide Limited, Utmost Holdings Isle of Man Limited, UIG Holdings (No 1) Ltd, and Utmost Holdings Ireland Limited.

We also performed audit procedures over the head office operations and the consolidation process. We completed review procedures over the other components not subject to full scope audits.

As the Group audit team, we determined the level of involvement required at those components to enable us to conclude whether sufficient and appropriate audit evidence had been obtained for the basis for our opinion on the UGL consolidated financial statements as a whole. In our role as Group auditors, we exercised oversight of the work performed by reporting component audit teams including performing the following procedures:

– Issued Group instructions outlining areas requiring additional audit focus such as the key audit matters included above;
– Maintained regular dialogue with reporting component audit teams throughout the year;
– Attended Audit Committee meetings for certain in-scope components;
– Reviewed reporting and supporting evidence requested from component teams, including those areas determined to be of heightened audit risk; and
– Reviewed the detailed working papers, where relevant.

Due to the impact of COVID-19, we were unable to visit component audit teams in person, however we performed a detailed review of key audit working papers at all in-scope components remotely and periodic video-conference meetings. There were no significant limitations due to COVID-19 to our ability to exercise oversight of the component audit teams to assess whether sufficient and appropriate audit evidence had been obtained.

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

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

| | Financial statements – group | Financial statements – company |
|---|---|---|
| Overall materiality | Overall materiality: £21,286,000 based on 2.5% of Net assets for all balances other than assets held to cover linked liabilities, investment contract liabilities and associated income statement line items.<br><br>Specific materiality for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items: £701,792,000 based on 2% of assets held to cover linked liabilities. | £11,984,000. |
| How we determined it | 2.5% of Net Assets, and the specific materiality described above. | 1% of Net Assets |
| Rationale for benchmark applied | We believe that net assets, which drives the Group's ability to generate surplus and pay dividends, is the primary measure used by the relevant stakeholders in assessing performance, as well as being a generally accepted materiality benchmark.<br><br>Regarding the specific materiality for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items, the benchmarks applied is Assets Held to Cover Linked Liabilities which is equal to the investment contract liabilities and reflects the primary measure used by the relevant stakeholders as it is a key performance indicator of the business. We have applied specific materiality as this will allow us to audit balances relating to unit linked assets or liabilities more efficiently. | We believe that net assets, which drives the Company's ability to generate surplus and pay dividends, is the primary measure used by the relevant stakeholders in assessing performance, as well as being a generally accepted materiality benchmark. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £5,000,000 and £19,952,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

For certain components in the scope of our group audit, we allocated a specific materiality that is less than our group specific materiality for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items described above. The range of the specific materiality for these line items was between £234,000,000 and £666,000,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £15,964,000 for the group financial statements and £8,988,000 for the company financial statements.

For certain components, our specific performance materiality was 75% of the specific overall materiality for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items, amounting to £526,344,000 for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £1,064,000 for the Overall Financial statements Net Assets materiality and specifically £21,286,000 for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items (group audit) and £599,000 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory Solvency coverage and liquidity position in the forward looking scenarios considered by the Group;
- Assessed the impact of severe, but plausible, downside scenarios;
- Assessed liquidity of the Group, including the Company's ability to pay suppliers and creditors as amounts fall due;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern (including the impacts of COVID-19); and
- Enquired and understood the actions taken by management to mitigate the impacts of COVID-19, including review of Board of Directors minutes, and attendance of relevant Board and significant component Audit Committee meetings.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### Responsibilities for the financial statements and the audit

**Responsibilities of the directors for the financial statements**

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

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

**Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, and management bias in accounting estimates and judgemental areas of the financial statements such as those described in the "Key Audit Matters". The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with the Board and management, including consideration of any known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors and attendance of certain Audit Committees of reporting components;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular those relating to the Key Audit Matters;
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the Group's register of litigation and claims in so far as they related to non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

**Use of this report**

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

### Other required reporting

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

### Other matter

The financial statements for the 31 December 2019, forming the corresponding figures of the financial statements for the year ended 31 December 2020, are unaudited.

**Gary Shaw (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 May 2021

## Consolidated Financial Statements

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

| | Note | 2020 £'000 | 2019* £'000 |
|---|---|---|---|
| **Revenue** | | | |
| Net premiums earned | 21 | 67,944 | 61,096 |
| Fees and charges receivable | 5 | 162,621 | 151,508 |
| Other operating income | | 9,348 | 7,759 |
| | | 239,913 | 220,363 |
| **Investment return** | 6 | 1,632,153 | 2,896,968 |
| **Net policyholder claims and benefits incurred** | | | |
| Policyholder claims | 21 | (196,970) | (144,753) |
| Transfer from/(to) unallocated surplus | 22 | 9,975 | (13,939) |
| Changes in insurance contract liabilities | | (230,821) | (15,759) |
| Changes in investment contract liabilities | 20 | (1,216,267) | (2,710,537) |
| | | (1,634,083) | (2,884,988) |
| **Expenses** | | | |
| Administrative expenses | 7 | (114,412) | (109,887) |
| Commission and adviser fees | | (44,444) | (64,835) |
| Amortisation of acquired value of in-force business | 10 | (52,802) | (60,111) |
| | | (211,658) | (234,833) |
| **Gains arising on bargain purchases** | 4 | 86,176 | 193,095 |
| Profit for the year before interest and tax | | 112,501 | 190,605 |
| Finance costs | 8 | (10,276) | (8,008) |
| **Profit for the year before tax** | | 102,225 | 182,597 |
| Tax charge | 9 | (22,833) | (3,062) |
| **Profit for the year after tax** | | 79,392 | 179,535 |
| **Other comprehensive income/(expense)** | | | |
| **Items that may be reclassified subsequently to profit and loss** | | | |
| Change in fair value of financial assets at fair value through OCI | | 4,243 | 1,212 |
| Foreign currency translation movements in the year | | 10,329 | (3,886) |
| **Items that will not be reclassified to profit and loss** | | | |
| Fair value movements of owner occupied land and buildings | | (150) | 150 |
| Re-measurement on retirement benefit asset/obligation | | (3,381) | 2,899 |
| Shareholder tax on items that will not be reclassified subsequently to profit and loss | | (120) | (473) |
| **Total comprehensive income for the year** | | 90,313 | 179,437 |

* As noted in the basis of preparation due to the application of predecessor accounting, the 2019 comparative figures presented are unaudited.

Income and expenses for the year derive wholly from continuing operations. The notes on pages 70 to 102 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2020

| | Note | 2020 £'000 | 2019* £'000 |
|---|---|---|---|
| **Assets** | | | |
| Acquired value of in-force business | 10 | 483,144 | 440,743 |
| Deferred acquisition costs | 11 | 44,516 | 28,610 |
| Other intangible assets | 12 | 608 | 455 |
| Property, plant and equipment | 13 | 20,755 | 23,703 |
| Reinsurers' share of insurance contract liabilities | 21 | 1,233,992 | 818,106 |
| Withholding tax asset | 16 | 114,718 | 122,432 |
| Deferred tax asset | 25 | 7,725 | 5,881 |
| Financial assets at fair value held to cover linked liabilities | 14 | | |
| Financial investments | | 32,844,244 | 27,044,933 |
| Cash and cash equivalents | | 2,245,374 | 1.857,785 |
| Total financial assets at fair value held to cover linked liabilities | | 35,089,618 | 28,902,718 |
| Other investments | 15 | 2,279,887 | 1,990,343 |
| Other receivables | 17 | 144,817 | 137,090 |
| Deposits | | 10,000 | 17,050 |
| Assets held for sale | | 3,450 | – |
| Cash and cash equivalents | 18 | 278,452 | 186,105 |
| **Total assets** | | 39,711,682 | 32,673,236 |
| **Liabilities** | | | |
| Investment contract liabilities | 20 | 34,312,054 | 28,443,945 |
| Insurance contract liabilities | 21 | 3,635,177 | 2,616,321 |
| Reinsurance liability | 21 | 40,469 | 34,893 |
| Unallocated surplus | 22 | 96,470 | 99,685 |
| Borrowings | 24 | 302,564 | 161,323 |
| Deferred tax liabilities | 25 | 38,780 | 22,714 |
| Reinsurance payables | | 134,098 | 110,798 |
| Payables related to direct insurance contracts | | 26,337 | 12,881 |
| Deferred front end fees | 23 | 52,256 | 37,981 |
| Other payables | 26 | 222,032 | 197,922 |
| **Total liabilities** | | 38,860,237 | 31,738,463 |
| **Capital and reserves** | | | |
| Called up share capital | 27 | 100,000 | 1,206,548 |
| Retained earnings | | 733,458 | (274,261) |
| Other reserves | | 6,358 | 1,186 |
| Foreign currency translation reserve | 28 | 11,629 | 1,300 |
| **Total equity** | | 851,445 | 934,773 |
| **Total equity and liabilities** | | 39,711,682 | 32,673,236 |

* As noted in the basis of preparation due to the application of predecessor accounting, the 2019 comparative figures presented are unaudited.

The notes on pages 70 to 102 form an integral part of these financial statements. The financial statements on pages 66 to 102 were approved and authorised for issue by the Board of directors on 18 May 2021 and signed on its behalf by:

**Paul Thompson**
Director
18 May 2021

**Ian Maidens**
Director
18 May 2021

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

| | Note | Called up share capital £'000 | Retained earnings £'000 | Other reserves* £'000 | Foreign currency translation reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019**** | | 1,206,548 | (440,195) | 297 | 5,186 | 771,836 |
| Profit for the year | | – | 179,535 | – | – | 179,535 |
| Foreign currency translation movements in the year | | – | – | – | (3,886) | (3,886) |
| Re-measurement on retirement benefit asset | | – | 2,899 | | – | 2,899 |
| Other comprehensive income | | – | – | (323) | – | (323) |
| Dividends paid | | – | (16,500) | – | – | (16,500) |
| Amounts that may be reclassified subsequently to profit and loss | | – | – | 1,212 | – | 1,212 |
| **Balance as at 1 January 2020** | | 1,206,548 | (274,261) | 1,186 | 1,300 | 934,773 |
| Profit for the year | | – | 79,392 | – | – | 79,392 |
| Foreign currency translation movements in the year | 28 | – | – | – | 10,329 | 10,329 |
| Re-measurement on retirement benefit asset | | – | (3,381) | – | – | (3,381) |
| Amounts that may be reclassified subsequently to profit and loss | | – | – | 4,243 | – | 4,243 |
| Distributions paid | | – | (174,574) | – | – | (174,574) |
| Other movements | | – | (266) | 929 | – | 663 |
| Share capital reduction | 27 | (1,106,548) | 1,106,548 | – | – | – |
| **Balance as at 31 December 2020** | | 100,000 | 733,458 | 6,358 | 11,629 | 851,445 |

* Other reserves primarily consists of the accumulated movement on financial assets held at fair value through other comprehensive income.
** As noted in the basis of preparation due to the application of predecessor accounting, the 2019 comparative figures presented are unaudited.

The notes on pages 70 to 102 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

| | Note | 2020 £'000 | 2019* £'000 |
|---|---|---|---|
| **Net cash flows from operating activities** | 29 | **120,455** | (102,266) |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries – net of cash acquired and distribution received | | **14,484** | 51,960 |
| Acquisition of property, plant and equipment | 13 | **(1,219)** | (3,385) |
| Acquisition of intangible assets | 12 | **(318)** | (484) |
| Proceeds on disposals of property, plant and equipment | | **33** | 7 |
| **Net cash flows from investment activities** | | **12,980** | 48,098 |
| **Cash flows from financing activities** | | | |
| Increase in borrowings | | **–** | 76,512 |
| Repayments of borrowings | | **–** | (33,057) |
| Dividends paid | | **(38,500)** | (16,500) |
| Finance costs paid | | **(5,263)** | (7,363) |
| Net cash flows from financing activities | | **(43,763)** | 19,592 |
| **Net increase/(decrease) in cash and cash equivalents** | | **89,672** | (34,576) |
| Cash and cash equivalents at the beginning of the year | | **186,105** | 224,892 |
| Exchange differences on cash and cash equivalents | | **2,675** | (4,211) |
| **Cash and cash equivalents at the end of the year** | 18 | **278,452** | 186,105 |

* As noted in the basis of preparation due to the application of predecessor accounting, the 2019 comparative figures presented are unaudited.

The notes on pages 70 to 102 form an integral part of these financial statements.

Introduction
Strategic Report
Governance
Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 1 General information

The principal activity of Utmost Group Limited (the "Company") is investment holding, and of its subsidiaries (together, the "Group") is the writing of long-term assurance business through the Utmost Wealth Solutions brand, the majority of which are classified as investment contracts because of the absence of significant insurance risk. These contracts are primarily written into the UK, Ireland, Italy, Switzerland, Cayman, The Bahamas and other European countries. The Group also writes employee benefits insurance business through the Utmost Corporate Solutions brand, following the acquisition of Utmost PanEurope DAC ("UPE") in 2018 and the acquisition of Utmost Worldwide Limited ("Utmost Worldwide" or "UW") in 2019. Through Utmost Life and Pensions Limited ('ULP'), the Group is a specialist UK consolidator focused upon the provision of life and pension policies (predominantly closed book of business) by pursuing its strategy of acquiring and consolidating businesses in the UK to deliver economies of scale to the benefit of policyholders and shareholders. The Company is a company limited by shares incorporated in England and Wales and was incorporated on 17 October 2019. The address of the Company's registered office is 5th Floor Saddlers House, 44 Gutter Lane, London, EC2V 6BR.

### 2 Significant Accounting Policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRS). The directors have prepared consolidated and separate Company financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards as set out in the relevant accounting policies. The Consolidated and Company financial statements are presented in Pounds Sterling.

On 1 October 2020 there was a restructure of the wider Utmost group which resulted in the Utmost International and Utmost UK entities being combined into the same group structure under Utmost Topco Limited (an indirect parent company). As a result of the restructure, the Company is the direct or indirect parent company for the subsidiary entities listed in note 4 to these financial statements and these subsidiaries are accounted for in the financial statements of the Group in accordance with the requirements of IFRS 10.

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party both before and after the business combination, and that control is not transitory. Business combinations under common control are outside of the scope of IFRS 3 – 'Business Combinations' and therefore the Group restructure is accounted for using the principles of predecessor accounting in accordance with the accounting policy choice available under IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Under predecessor accounting the financial statements for the year ended 31 December 2020 and the comparative results for the year ended 31 December 2019 are presented on the basis that the reorganisation had occurred before the start of the earliest period presented.

Consequently, the comparative result and financial position for the Group as presented for the 31 December 2019 period were not subject to audit and are therefore presented as unaudited. In addition, and as a result of the Company being dormant in 2019, the comparative result and financial position presented for the 31 December 2019 period are unaudited.

A single uniform set of accounting policies is adopted by the Group in these financial statements. The Group recognised the assets, liabilities and equity of the combining entities at the carrying amounts in the consolidated financial statements of the controlling party prior to the common control combination. The effects of all transactions between the combining entities, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group.

##### 2.1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and each of its subsidiaries as detailed in note 4. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated primary statements.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

– fair values of the assets transferred
– liabilities incurred to the former owners of the acquired business
– equity interests issued by the Group
– fair value of any asset or liability resulting from a contingent consideration arrangement, and
– fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

– consideration transferred,
– amount of any non-controlling interest in the acquired entity, and
– acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the Statement of Comprehensive Income as "Gain arising on bargain purchases".

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Statement of Comprehensive Income.

##### 2.1.2 Going concern

At the time of preparing and approving the financial statements, the directors have a reasonable expectation that the Company and Group have sufficient resources to continue in operational existence for the foreseeable future. The Company and Group therefore continue to adopt the going concern basis in preparing its individual and consolidated financial statements.

In making the going concern assessment for the foreseeable future the directors considered various assessments and stresses are applied to those positions to understand potential impacts of market downturns. These stresses, including the additional considerations applied in response to Covid-19, do not give rise to any material uncertainties over the ability of the Group to continue as a going concern. Based upon the available information, the Directors consider that the Group has the plans and resources to manage its business risks successfully and that it remains financially strong. The Directors' Report summarises the Group's activities, financial performance and principal risks facing the Group.

The directors have assessed the principal risks and uncertainties discussed in the Strategic Report, both in light of Covid-19 and the current economic climate, and have taken into consideration the guidance provided by the Financial Reporting Council ("FRC") on 'Going Concern and Liquidity Risk' published in April 2016. The directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

**2.2 Foreign currency translation**

2.2.1 Functional and presentation currency

The consolidated financial statements are presented in Pounds Sterling which is the Company's presentational and functional currency. In the assessment of functional currency, management have considered factors including, inter alia, the primary economic environment in which the Group operates and the currency of the Group's external equity and debt financing.

2.2.2 Foreign currency transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

Translation differences on monetary financial assets measured at fair value and designated as held at fair value through profit or loss are included in foreign exchange gains and losses in the Statement of Comprehensive Income. Translation differences on non-monetary items, which are designated as fair value, are reported as part of the fair value gain or loss.

On conversion to the presentation currency, assets and liabilities are translated at the closing rate at the year-end date, income and expenditure are converted at the transaction rate, or the average rate if this is an approximation of the transaction rate. All resulting exchange differences are recognised in Other Comprehensive Income.

**2.3 Goodwill, Intangible assets and acquired value of in-force policies ('AVIF')**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Negative goodwill arises when the purchase consideration is less than the fair values of the identifiable assets and liabilities, and is recognised as a "Gain on bargain purchases" in the Statement of Comprehensive Income. Positive goodwill is recognised as an intangible asset in the Statement of Financial Position.

An intangible asset may be acquired in a business combination. If an intangible asset is acquired in a business combination, the cost of the asset is specified by IAS 38 (in accordance with IFRS 3) to be its fair value on the date of acquisition. The fact that a price can be established for an intangible asset which is acquired in a business combination is accepted as evidence that future economic benefits are expected to accrue to the entity.

The present value of future profits on a portfolio of long-term insurance and investment contracts, representing the value of in-force policies ('VIF'), acquired directly or through the purchase of a subsidiary, is recognised as an acquired value of in-force business ('AVIF') intangible asset on acquisition. AVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the value of in-force business acquired and the expected depletion in its value.

AVIF is recognised, amortised and tested for impairment annually by reference to the present value of estimated future profits. Significant estimates include forecast cash flows and discount rates.

**2.4 Intangible fixed assets – software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not subsequently recognised as an asset in a subsequent period.

Capitalised computer software is stated at cost less amortisation and is amortised over three to five years.

**2.5 Property, plant and equipment**

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. The costs of property, plant and equipment are depreciated over their expected useful lives on a straight line basis as follows:

| | |
|---|---|
| Computer and office equipment | 20%–50% |
| Leasehold improvements, fixtures and fittings | 20%–33%* |
| Motor vehicles | 15%–35% |

* or remaining period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2 Significant Accounting Policies continued

## 2.6 Financial assets and financial liabilities

### 2.6.1 Classification

The Company and Group have applied IFRS 9 and classifies its financial assets in the following categories: measured at fair value through profit and loss, measured at fair value through other comprehensive income or measured at amortised cost. The classification is determined by the Company and Group's business model for managing the financial assets and the contractual terms of the cash flows.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, or a contract that will or may be settled in the entity's own equity instruments. Financial liabilities, are initially recognised at fair value, being their issue proceeds net of transaction costs incurred. All liabilities, other than those designated at fair value through profit or loss, are subsequently carried at amortised cost. The Group's financial liabilities include amounts due to investment and insurance contract holders, payables in respect of investment and insurance contract liabilities, borrowings from banks, reinsurance payables, tax liabilities and other payables in the Statement of Financial Position.

### 2.6.2 Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date, the date on which the Company and Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company and the Group has transferred substantially all the risks and rewards of ownership. At initial recognition, financial assets are measured at their fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the purchase of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

### 2.6.3 Financial assets and financial liabilities at fair value through profit or loss

Fair value of quoted investments in an active market is the bid price, for investments in unit trusts and other pooled funds it is the bid price quoted on the last day of the accounting period on which the investments in such funds could be redeemed. If the market for a financial investment is not active, the fair value is determined by using valuation techniques. For these investments, the fair value is established by using quotations from independent third parties, such as brokers or pricing services or by using internally developed pricing models. Priority is given to publicly available prices, when available, but overall the source of pricing and valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Valuation techniques used include the use of recent arm's length transactions and reference to the current fair value of other instruments that are substantially the same. Financial assets where the fair value is derived using unobservable Level 3 inputs are principally valued using valuations obtained from external parties which are reviewed internally to ensure appropriateness. The majority of these investments are in suspended funds or funds in liquidation for which any changes in valuation are derived from the realisation of the underlying assets and therefore no sensitivity analysis has been presented.

### 2.6.4 Financial assets at fair value through other comprehensive income

The Group accounts for financial assets at fair value through other comprehensive income if the assets are held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These instruments largely comprise debt instruments and are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in a response to changes in market conditions. They are not debt instruments which are backing policyholder liabilities which would create an accounting mismatch. The valuation of financial assets at fair value through other comprehensive income is consistent with that of the valuation of financial assets through profit or loss as detailed in note 2.6.3 above and the Group's accounting policy in respect of the determination of any impairment of these assets is detailed in note 2.8.

### 2.6.5 Financial assets and financial liabilities at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Assets held at amortised cost include insurance receivables and reinsurance receivables.

The Group holds a solvency portfolio which consists of long dated bonds which are held for asset-liability matching purposes and is accounted for at amortised cost. This solvency portfolio is classified under "Other investments" in the Statement of Financial Position. The Group's accounting policy in respect of the impairment of this solvency portfolio is detailed in note 2.8 below.

Financial assets at amortised cost are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method, less any provision. A provision for impairment of loans and receivables is recognised in line with the Expected Credit Loss ("ECL") method as detailed in note 2.8.

Financial liabilities, including borrowings from banks, are initially recognised at fair value, being their issue proceeds net of transaction costs incurred. All financial liabilities, other than liabilities under investment contracts which are designated at fair value through profit or loss, are subsequently carried at amortised cost. For financial liabilities measured at amortised cost any difference between initial fair value and redemption value is recognised in the Statement of Comprehensive Income using the effective interest rate method.

## 2.7 Investment in subsidiary undertakings

Investments in subsidiaries are measured at fair value through profit and loss and classified as a Level 3 asset in the fair value hierarchy. The Group calculates the fair value of its investment in subsidiary in non-insurance companies on an IFRS net asset value basis and the fair value of its insurance company subsidiaries on an adjusted economic value basis. A substantial amount of the net asset value of non-insurance companies in the Group relates to the adjusted economic value of the insurance company subsidiaries. The methodology for the calculation of the adjusted economic value of insurance company subsidiaries is detailed in note 3 to the Company financial statements.

The determination of the fair value is a judgemental area and inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the assumptions that management consider market participants would use in pricing the asset or liability in the event of selling the business. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Dividend income from subsidiaries is recognised when the right to receive payment is established.

### 2.8 Impairments

For financial assets the Group assesses on a forward-looking basis the expected credit losses associated with its debtors, other receivables and solvency portfolio carried at amortised cost as well as the financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment losses are recognised within the Statement of Comprehensive Income. Subsequent recoveries of amounts previously written off are credited against the same line item.

The ECL for debt instruments measured at fair value through other comprehensive income does not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon de-recognition of the assets.

For non-financial assets, an impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. For the purpose of assessing the impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss is reversed only to the extent that after the reversal, the asset's carrying amount is no greater than the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 2.9 Investment return

Investment return comprises interest, dividends and fair value gains and losses on financial assets as well as gains and losses on investment properties. All gains and losses arising from changes in the fair value of financial investments held at fair value through profit and loss, realised or unrealised, are recognised within "Change in fair value of financial assets" in the Statement of Comprehensive Income in the period in which they arise. Gains and losses arising on assets held at fair value through other comprehensive income are recognised in Other Comprehensive Income in the period in which they arise. Unrealised gains and losses represent the difference between the valuation of the investments and their original cost. Realised gains and losses are calculated as net sales proceeds less purchase costs. Purchase costs are calculated on a weighted average basis. Movements in unrealised gains and losses include the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Interest income generated from financial investments measured at amortised cost or fair value through other comprehensive income, including investment income from bank deposits and fixed or floating interest bearing bonds and stocks, is recognised within "Investment return" and "Other operating income", for shareholder-backed assets, in the Statement of Comprehensive Income using the effective interest method.

Dividends receivable for investments held within unit-linked funds managed by the Group, are accrued on the ex-dividend date. All other dividends, including distributions from collective investments, are accounted for as received as this is when the income can be measured reliably. The attributable investment income and net gains or loss on investments due or payable under the modified coinsurance account are due or payable simultaneously with the underlying contracts reassured which are recognised at the same point as for the Utmost Limited ("UL") contract.

### 2.10 Other income

Other income consists of interest income on shareholder cash and deposits and commission income from the Group's ceded reinsurance on life and disability business. Interest income on shareholder cash and deposits is measured at amortised cost using the effective interest method.

### 2.11 Reinsurance

The Group cedes reinsurance in the normal course of business, with limits varying by line of business. Reinsurers' share of insurance contract liabilities are estimated in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract. There are reinsurance arrangements in place for UPE, UW, ULP and UL. All reinsurance is in line with the underlying entity reinsurance policy and the accounting for each of these is classified between premiums, claims and liabilities for insurance contracts.

Reinsurance receivables are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Comprehensive Income.

The reinsurance liability balance is a longevity swap in ULP that is in a liability position and has been presented on a gross basis.

### 2.12 Product classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Some insurance and investment contracts contain a discretionary participation feature ("DPF"). This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Investment contracts with a DPF are recognised, measured and presented as insurance contracts.

### 2.13 Liabilities under investment contracts

Contracts issued by the Group which are unit-linked and do not contain any significant insurance risk are all classified as investment contracts. Investment contracts primarily consist of unit-linked contracts written by the Group. Unit-linked liabilities are measured at fair value by reference to the value of the underlying net asset value of the underlying assets at the Statement of Financial Position date, with the respective assets and liabilities classified as "Financial assets at fair value held to cover linked liabilities" and "Investment contract liabilities" respectively in the consolidated Statement of Financial Position. The decision by the Group to designate its unit-linked liabilities at fair value through profit or loss reflects the fact that the liabilities are calculated with reference to the value of the underlying assets.

Premiums received and withdrawals from investment contracts are accounted for directly in the Statement of Financial Position as adjustments to the investment contract liability. Investment income and changes in fair value arising from the investment contract assets are included on a net basis in "Investment return" in the Statement of Comprehensive Income. Benefits are deducted from financial liabilities and transferred to amounts due to investment contract holders on the basis of notifications received, when the benefit falls due for payment or, on the earlier of the date when paid or when the contract ceases to be included within those liabilities.

The Group earns revenue on investment management services provided to holders of investment contracts, as detailed in note 2.19. Revenue is recognised as the services are performed.

2 Significant Accounting Policies continued

**2.14 Insurance contract liabilities and investment contracts with discretionary participation features (DPF)**

Insurance contracts and investment contracts with DPF are accounted subject to the requirements of IFRS 4, which permits the continued usage of previously applied Generally Accepted Accounting Practices (GAAP) and reflect the specific products and local regulatory requirements of the insurance entities of the Group. The entities who have insurance contracts at 31 December 2020 include UPE, UL, ULP, ELAS and UW. The majority of the life assurance contracts issued by the Group are long-term life assurance contracts however there are a number of short-term insurance contracts written by UW and UPE.

The Group's with-profits business held in UPE, ULP, ELAS and UL is classified as insurance business. In considering the level of insurance risk, the Group has recognised the significance of the insurance guarantees attaching to the with-profits business and in particular that no market value adjustment (MVA) is applied in the case of the death of policyholders. This compares to policy surrenders where an MVA is applied to the value of policy at exit. The IFRS cash reserve for insurance business is calculated as the present value of all projected future outgoings and income. The calculation is carried out using best estimate assumptions and a floor of zero is applied to policies which are estimated to have negative non-unit reserves.

The liability is computed separately for each life assurance contract, using surrender, expense and mortality assumptions that reflect the Group's expected experience with appropriate allowance for margins of prudence as well as for each non-life insurance contract. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder.

Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process are the subject of estimations. As a consequence, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide appropriate levels of contract liabilities taking known facts and experiences into account but, nevertheless, such liabilities remain uncertain.

Life assurance contracts

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premium is recognised.

Assumptions are made in respect of all material factors affecting future cash flows, including future interest rates, mortality and costs.

In UW, contracts that invest in the Deposit Administration fund are classed as insurance contracts, as no market value adjustment is applied on the death of a policyholder. These deposit administration contracts contain a guaranteed rate of interest of up to 2.5% that varies by currency and reflects government bond yields, for a duration of maximum three years. The contracts also contain a DPF based on discretionary bonus rates declared by the Company, to the extent they may exceed the guaranteed rate.

The liability for short-term insurance contracts written by UW and UPE include direct and indirect claims settlement costs and arise from events that have occurred up to the Statement of Financial Position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims.

Non-life insurance contracts

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

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

Liability Adequacy Test

At each reporting date, liability adequacy tests are performed to assess whether the insurance contract and investment contract with DPF liabilities are adequate. Current best estimates of future cash flows are compared to the carrying value of the liabilities. Any deficiency is charged as an expense to the Statement of Comprehensive Income.

The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4 Insurance Contracts, as they allow for current estimates of all contractual cash flows and of related cash flows such as claims handling costs. Cash flows resulting from embedded options and guarantees are also allowed for, with any deficiency being recognised as income or an expense in the Statement of Comprehensive Income.

Unallocated Surplus

The unallocated surplus comprises the excess of the assets over the policyholder liabilities of the with-profit business. For the Group's with-profit business, the amount included in the Statement of Financial Position line item "Unallocated surplus" represents amounts which have yet to be allocated to policyholders. The with-profit business is closed to new business and as permitted by IFRS 4, the whole of the unallocated surplus has been classified as a liability.

**2.15 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

**2.16 Other receivables**

Other receivables include debtors arising out of investment and insurance contracts as well as investment dealing debtors. Other receivables are accounted for at amortised cost.

**2.17 Deposits**

Fixed deposits held with banks with original maturities in excess of three months are included in deposits. These are valued at amortised cost or estimated using discounted cash flow techniques using the market rate for similar instruments.

**2.18 Net premiums earned**

In respect of insurance contracts and investment contracts with DPF, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Unearned premiums are those proportions of premiums written in a year that arise on non-life insurance contracts and relate to periods of risk after the reporting date. Unearned premiums including minimum and deposit premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Outward reinsurance premiums are accounted for on an accruals basis.

### 2.19 Fees and charges and deferred front end fees

Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services. These fees consist of recurring fees and "front-end" fees (fees that are assessed against the policyholder balance as consideration for origination of the contract). The fees may be for fixed amounts or vary with the amounts being managed and will generally be charged as an adjustment to the policyholder's balance.

The recurring fees consist of contractual fees and percentage fees related to investment management services and are recognised as revenue over time, as performance obligations are satisfied. In most cases this revenue is recognised in the same period in which the fees are charged to the policyholder. Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled.

Initial and other "front-end" fees are charged on some investment contracts with DPF. Front-end fees that relate to the provision of investment management services are deferred and recognised over the expected term of the policy on a straight line basis. Commissions receivable arising from with-profit bond investments and commissions from investments in funds are recognised as revenue over time, as performance obligations are satisfied. Other inward commissions and rebates are accounted for on a receipts basis, net of any amounts directly attributable to policies, as this is when the income can be measured reliably and it is highly probable that it will not be subject to significant reversal.

### 2.20 Renewal commission and adviser fees

Adviser fees and renewal commission charges are charged to the contract holders of investment contracts for services related to administration and investment services. These fees form part of the ongoing fees paid to intermediaries and advisers. The fees charged to the investment contracts and the fees payable to the intermediaries are recognised as revenue and expenses respectively as the services are provided.

### 2.21 Gross policyholder claims and benefits incurred

Claims on insurance contracts and investment contracts with DPF reflect the cost of all claims arising during the period, including policyholder bonuses allocated in anticipation of a bonus declaration. Claims payable on maturity are recognised when the claim becomes due for payment and claims payable on death are recognised on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within insurance contract liabilities. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

### 2.22 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

### 2.23 Acquisition costs and deferred acquisition costs

Acquisition costs include commissions, intermediary incentives and incentives payable to the Group's sales force. Incremental costs that are directly attributable to securing unit-linked investment contracts and insurance contracts, and are expected to be recoverable, are deferred and recognised in the Statement of Financial Position as deferred acquisition costs. Acquisition costs that do not meet the criteria for deferral are expensed as incurred.

Deferred acquisition costs are amortised in line with the projected payment of fees and claims, allowing for the expected level of surrenders. The amortisation of deferred acquisition costs is charged to the Statement of Comprehensive Income within the "Commission and adviser fees" line.

Reviews to assess the recoverability of deferred acquisition costs on investment contracts and insurance contracts are carried out at each period end date to determine whether there is any indication of impairment. If there is any indication of impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the Statement of Comprehensive Income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

### 2.24 Modified Coinsurance Account

Under the modified coinsurance arrangement (detail provided in note 14), the statutory reserve on the ceded business is the obligation of, and held by, the ceding company. The Group remains at risk of loss from lapse and surrenders.

The amounts contractually withheld and legally owned by the cedant in the form of assets equal to the reserve are reflected in the Modified Coinsurance Account. Premiums, claims arising and policy charges under this arrangement are included within the "Changes in investment contract liabilities" in the Statement of Comprehensive Income and within the "Financial assets at fair value held to cover linked liabilities" in the Statement of Financial Position. The investment return attributable to the assets held under the Modified Coinsurance arrangement is included within "Investment return" in the Statement of Comprehensive Income.

### 2.25 Finance costs

Interest payable is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest method.

### 2.26 Other expenses

All other expenses, including investment management expenses, are accounted for on an accruals basis.

### 2.27 Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

#### 2.27.1 Defined contribution plans

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

#### 2.27.2 Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

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

2 Significant Accounting Policies continued

**2.28 Taxation (current and deferred)**

Current tax payable is the expected tax payable on the taxable income for the period adjusted for changes to previous periods and is calculated based on the applicable tax law in the relevant tax jurisdiction. Deferred tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. Current and deferred taxes are determined using tax rates based on legislation enacted or substantively enacted at the year-end date and expected to apply when the related tax asset is realised or the related tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which temporary differences will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are recognised when there are temporary difference between the carrying value of assets and the tax base.

Tax assets and liabilities are only offset when they arise in the same reporting group for tax purposes and where there is both the legal right and intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.29 Provisions and contingent liabilities**

Provisions are recognised in respect of present legal or constructive obligations arising from past events where it is probable that outflows of economic resources will be required to settle the obligations and they can be reliably estimated.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of economic resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

**2.30 Share Capital, Share Premium and dividends**

Ordinary share capital is classified as equity. On issuance of new share capital, the excess of consideration received over the face value of the shares is recognised as share premium. Dividends are recognised in equity when they are approved by the Board.

**2.31 Prospective changes in accounting standards**

IFRS 17 "Insurance Contracts": The IASB issued IFRS 17 in May 2017 as a replacement to the previous insurance contracts standard IFRS 4 and applies to periods beginning on or after 1 January 2023. In March 2020 the IASB approved an amendment to IFRS 17 to defer the effective date to 1 January 2023.

The Group primarily writes investment contract business without discretionary participation features which are currently accounted for under IFRS 9. However, the adoption of IFRS 17 will have a significant impact on the accounting treatment of insurance contracts and investment contracts with discretionary participation features ("DPF") written by the Group.

IFRS 17 changes the methodology under which (re) insurance contract liabilities are measured, in addition to revising the presentation of the primary statements and disclosures in the financial statements. These changes will impact the recognition of profit and add complexity to actuarial processes, system requirements and assumption setting.

The Group has commenced an implementation project including completion of an impact assessment in the year as well as commencement of technical and operational solution design and implementation. The implementation activities undertaken during the year include an assessment of which contracts are in scope of the standard, identification of system and data requirements and the development of accounting methodologies, policies and models.

## 3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The judgements and estimates involved in the Company's and Group's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition and that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company and Group could affect its reported results.

### Critical accounting estimates

**3.1 Insurance contract liabilities**

The calculation of insurance contract liabilities is a critical estimate, based on the fact that although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process are the subject of estimations. As a consequence, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide appropriate levels of contract liabilities taking known facts and experiences into account but, nevertheless, such liabilities remain uncertain. The calculation methodology is discussed further in accounting policy 2.14, and sensitivity analysis in respect of the Group's insurance business is provided in note 30.

**3.2 Fair value of financial assets and liabilities**

Where possible financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair values are determined using valuation techniques including pricing models, 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.

**3.3 Recoverability of acquired value of in-force business**

AVIF is recognised, amortised and tested for impairment by reference to the present value of estimated future profits. Significant estimates include forecast expenses, charges, persistency rates, guarantee costs and discount rates.

## 4 Subsidiaries

The consolidated financial statements include the following subsidiaries as at 31 December 2020:

| Subsidiary | Date of acquisition | Registered address/ business address | Nature of business | Shares held |
|---|---|---|---|---|
| Utmost International Group Holdings Limited | 15 Jan 2016 (incorporation date) | 5th Floor, Saddlers House, 44 Gutter Lane, London | Investment holding | 100% of issued share capital |
| Utmost Holdings Isle of Man Limited | 13 Apr 2016 (incorporation date) | Royalty House, Walpole Avenue, Douglas, Isle of Man | Investment holding | 100% of issued share capital |
| Utmost Limited | 21 Oct 2016 | Royalty House, Walpole Avenue, Douglas, Isle of Man | Writing long-term assurance business | 100% of issued share capital |
| Utmost Services Limited | 21 Oct 2016 | Royalty House, Walpole Avenue, Douglas, Isle of Man | Management and administration services | 100% of issued share capital |
| Utmost Trustee Solutions Limited | 21 Oct 2016 | Royalty House, Walpole Avenue, Douglas, Isle of Man | Management and administration services | 100% of issued share capital |
| Utmost Administration Limited | 21 Oct 2016 | Royalty House, Walpole Avenue, Douglas, Isle of Man | Administration services | 100% of issued share capital |
| Utmost Partnerships Limited | 21 Oct 2016 | Royalty House, Walpole Avenue, Douglas, Isle of Man | Dormant company | 100% of issued share capital |
| UIG Holdings (No 1) Ltd. | 13 Jun 2018 | 5th Floor, Saddlers House, 44 Gutter Lane, London | Investment holding | 100% of issued share capital |
| Utmost Holdings Ireland Limited | 13 Jun 2018 | Ashford House, Tara Street, Dublin 2 | Investment Holding | 100% of issued share capital |
| Utmost PanEurope DAC | 19 Jun 2018 | Navan Business Park, Athlumney, Navan, Co.Meath, Ireland | Writing long-term assurance business | 100% of issued share capital |
| Utmost Services Ireland Limited | 13 Jun 2018 | Ashford House, Tara Street, Dublin 2 | Management and administration services | 100% of issued share capital |
| Harcourt Life Corporation DAC | 13 Jun 2018 | Ashford House, Tara Street, Dublin 2 | Former life assurance provider | 100% of issued share capital |
| Utmost Bermuda Limited | 13 Jun 2018 | Clarendon House, 2 Church Street, Hamilton, Bermuda | Writing long-term assurance business | 100% of issued share capital |
| Utmost Worldwide Limited | 28 Feb 2019 | Utmost House, Hirzel Street, St Peter Port, Guernsey | Writing long-term assurance business | 100% of issued share capital |
| Utmost Portfolio Management Limited | 28 Feb 2019 | Utmost House, Hirzel Street, St Peter Port, Guernsey | Provision of financial services | 100% of issued share capital |
| Utmost Worldwide (DIFC) Limited | 8 Apr 2019 (incorporation date) | Level 17, Central Park Offices, Dubai International Financial Centre, UAE | Provision of financial services | 100% of issued share capital |
| Utmost Worldwide Employee Pension Scheme Limited | 5 Sep 2019 | Albert House, South Esplanade, St Peter Port, Guernsey | Group pension scheme | 100% of issued share capital |

### 4 Subsidiaries continued

| Subsidiary | Date of acquisition | Registered address/ business address | Nature of business | Shares held |
|---|---|---|---|---|
| Utmost UK Group Holdings Limited | 22 Jan 2018 (incorporation date) | 5th Floor Saddlers House, 44 Gutter Lane, London | Investment holding | 100% of issued share capital |
| Utmost Life and Pension Holdings Limited | 22 Mar 2018 | Walton Street, Aylesbury, HP21 7QW | Investment holding | 100% of issued share capital |
| Utmost Life and Pensions Limited | 22 Mar 2018 | Walton Street, Aylesbury, HP21 7QW | Life insurance | 100% of issued share capital |
| Utmost Life and Pensions Services Limited | 22 Mar 2018 | Walton Street, Aylesbury, HP21 7QW | Service Company | 100% of issued share capital |
| The Equitable Life Assurance Society | 1 Jan 2020 | Walton Street, Aylesbury, HP21 7QW | Life insurance | 100% of issued share capital |
| Equitable Life Ireland DAC | 1 Jan 2020 | Walton Street, Aylesbury, HP21 7QW | Life insurance | 100% of issued share capital |
| RMIS (RTW) Limited | 1 Apr 2018 | Walton Street, Aylesbury, HP21 7QW | Member settlements | 100% of issued share capital |
| Reliance Unit Managers Limited | 1 Apr 2018 | Walton Street, Aylesbury, HP21 7QW | Unit Trust Management | 100% of issued share capital |
| Reliance Pension Scheme Trustee Limited | 1 Apr 2018 | Walton Street, Aylesbury, HP21 7QW | Group pension scheme | 100% of issued share capital |
| FS Management Limited* | 1 Apr 2018 | Walton Street, Aylesbury, HP21 7QW | Administration | 100% of issued share capital |

* Put into members voluntary liquidation on 31 March 2021.

On 15 June 2018, the Group announced that it had signed an agreement with Equitable Life under which it was proposed that Equitable Life and its business would transfer to ULP. At the time, Equitable Life had £6.4bn of assets and circa. 300,000 customers. The majority of these customers are based in the UK, but a small number of unit-linked and with-profits customers, sold under German and Irish law, are based in Germany and Ireland. This Irish and German business is being retained in Equitable Life and Equitable Life became a fully owned subsidiary of ULP on 1 January 2020.

The Scheme was sanctioned by the UK Court on 4 December 2019 with an effective date of 1 January 2020 at which point eligible with-profits policies were converted to unit-linked policies with no investment guarantees. Following the uplift, with-profits policies, other than German policies, were converted to unit-linked policies with no investment guarantees. Equitable Life subsequently transferred all policies (other than those covered by Irish and German law) to ULP by a Part VII Transfer under the Financial Services and Markets Act 2000 (the “Transfer”). On 1 January 2020 ULP became the sole member of Equitable Life.

On 1 January 2020 Equitable Life transferred approximately £6.3bn of Funds under Management to ULP, with £79m assets being retained within Equitable Life for approximately 3,000 Irish and German policyholders, with ULP as sole member and all employees of Equitable Life were transferred to Utmost Life and Pensions Services Limited, under Transfer of Undertakings (Protection of Employment) Regulations.

This business combination resulted in a bargain purchase as the fair value of the assets acquired and liabilities assumed exceeded the fair value of the consideration paid. The bargain purchase arose as a result of the conversion of the policies from with-profits to unit-linked. The fair value of the assets and liabilities acquired during the year are as follows:

| | £'000 |
|---|---|
| **Assets** | |
| Financial assets at fair value | 5,969,043 |
| Reinsurers' share of insurance contract liabilities | 363,781 |
| Cash and cash equivalents | 14,484 |
| Trade receivables | 3,933 |
| AVIF at date of acquisition | 86,694 |
| Other assets | 6,258 |
| **Total assets** | 6,444,193 |
| **Liabilities** | |
| Liabilities to customers under insurance contracts | 737,546 |
| Liabilities to customers under investment contracts | 5,579,094 |
| Other liabilities | 41,377 |
| **Total liabilities** | 6,358,017 |
| Consideration paid | – |
| Fair value of net assets at date of acquisition | 86,176 |
| **Gain arising on bargain purchase of Equitable Life** | 86,176 |

There are immaterial contractual cash flows included within the trade receivables balance in the table above which are not expected to be collected.

## 5 Fees and charges receivable

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fee income from investment contracts | **148,909** | 130,131 |
| Net movement in deferred front-end fees | **(3,312)** | (6,920) |
| Other fee income – including commission and rebate income | **17,024** | 28,297 |
| Total fee income | **162,621** | 151,508 |

## 6 Investment return

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Interest income on financial investments | **51,775** | 45,101 |
| Dividend income | **73,471** | 16,409 |
| Net gains on realisation of financial investments | **631,209** | 477,688 |
| Change in fair value of financial investments | **849,543** | 2,340,547 |
| Net foreign exchange gains | **26,155** | 17,223 |
| | **1,632,153** | 2,896,968 |

## 7 Administrative expenses

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Staff costs** | | |
| Wages and salaries | 57,309 | 46,929 |
| Social insurance costs | 5,688 | 5,466 |
| Pension costs – defined contributions | 3,670 | 3,249 |
| Termination costs | 1,588 | 18 |
| Other staff costs | 2,953 | 2,519 |
| | 71,208 | 58,181 |
| Depreciation of property, plant and equipment | 5,419 | 4,202 |
| Amortisation of intangible assets – software | 165 | 90 |
| Auditor's fees | 2,974 | 1,648 |
| Auditor's fees non-audit services | 701 | 521 |
| Professional fees | 8,772 | 11,710 |
| Other administrative costs | 25,173 | 33,535 |
| Total administrative expenses | 114,412 | 109,887 |

The average number of employees during the year was 1,008 (2019: 982). The auditor fees for the audit of the annual accounts of the Company are £285k (2019: nil), the audit fees for the audit for the annual accounts of the subsidiaries are £2,689k (2019: £1,648k) and the auditor fees for audit related assurance services are £701k (£521k).

## 8 Finance costs

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Interest expense on borrowings | 9,516 | 7,290 |
| Lease liability finance cost (note 26) | 760 | 718 |
| | 10,276 | 8,008 |

The interest expense on borrowings arise on financial liabilities measured at amortised cost using the effective interest rate method. The borrowings in place at 31 December 2020 are detailed in note 24. There are no other gains or losses on these liabilities.

## 9 Tax charge

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Current taxation charge | 11,468 | 3,263 |
| Deferred taxation charge | 11,365 | (201) |
| Taxation charge | 22,833 | 3,062 |

The subsidiary companies as detailed in note 4 pay tax at the standard tax rate of each jurisdiction.

### UK taxation

The Company pays UK income tax at the standard rate of 19% (2019: 19%). The Group's UK life assurance entities are not only subject to tax at the UK mainstream rate (currently 19%) on their profits but are also subject to tax at the policyholder rate (20%) on investment returns accruing to the benefit of certain policyholders. The amount of the tax charge that related to tax payable at the policyholder rate in 2020 was £1.0m (2019: £1.9m).

In March 2021 the UK Government announced that the 2021 Finance Act will increase the rate of UK corporation tax from 19% to 25% with effect from April 2023. As the proposed rise had not been enacted at the balance sheet date, no account was taken of the rise in preparing the Groups tax charge for the year ended 31 December 2020. However, if the measure had been enacted at the balance sheet date, its impact would have been to increase the Group's deferred tax liabilities by approximately £6.5m.

### Guernsey taxation

Utmost Worldwide pays tax at 0% (2019: 0%) on local business. Applicable tax rates in other jurisdictions where the Guernsey subsidiaries suffer taxation were Hong Kong 8.25% (2019: 8.25%) on the first HKD 2M and 16.5% (2019: 16.5%) thereafter, 12.5% (2019: 12.5%) in Ireland, Switzerland average 20.3% (2019: 20.3%) and 17% (2019: 17%) in Singapore.

### Isle of Man taxation

On the Isle of Man, with certain exceptions not relevant to the Group, corporate entities are subject to tax at 0% (2019: 0%). This rate is not expected to change in the foreseeable future.

**Ireland taxation**
The Irish subsidiaries are subject to tax at 12.5% (2019:12.5%).

An agreement was reached with the Italian tax authorities in 2020 that Utmost PanEurope DAC (UPE), a subsidiary of the Company, be treated as having a taxable permanent establishment in Italy. Under the terms of the settlement UPE paid approximately £4.9m to the Italian tax authorities in respect of the years 2013-2018. The cost of this settlement was partly offset through the fact that UPE was able to claim credit for some of the latter amount against its Irish corporation tax liabilities and through amounts recoverable from Generali under the Sale and Purchase Agreement. UPE has subsequently submitted a tax return to the Italian Revenue in respect of the year ended 31 December 2019 and will be submitting a return in respect of 2020 in due course.

The tax charge per the Statement of Comprehensive Income can be reconciled to the taxation on profits at the standard UK income tax rate as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation | 102,225 | 182,597 |
| Tax at the UK rate of 19% (2019: 19%) | 19,423 | 34,693 |
| Adjustment in respect of prior year | 4,296 | 543 |
| Impact of rate change | 702 | 5 |
| Recognition of unrecognised tax losses | (819) | (581) |
| Non-taxable profits | (377) | (968) |
| Non-deductible expenses | 28 | 3,384 |
| Tax on profits subject to UK policyholder rate | 1,046 | 1,904 |
| Increase in valued tax losses | 333 | 507 |
| Tax on profits subject to a different rate | (1,431) | (36,129) |
| Other | (368) | (296) |
| Tax charge for the year | 22,833 | 3,062 |

## 10 Acquired value of in-force business

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Cost | | |
| At 1 January | 555,387 | 431,380 |
| Value of in-force policies acquired | 86,694 | 135,993 |
| Foreign exchange movement | 10,483 | (11,986) |
| At 31 December | 652,564 | 555,387 |
| Accumulated amortisation | | |
| At 1 January | 114,644 | 56,158 |
| Charge for the year | 52,802 | 60,111 |
| Foreign exchange movement | 1,974 | (1,625) |
| At 31 December | 169,420 | 114,644 |
| Net book value at 31 December | 483,144 | 440,743 |
| Current (within 12 months) | 47,774 | 48,662 |
| Non-current (after 12 month) | 435,370 | 392,081 |
| | 483,144 | 440,743 |

### 11 Deferred acquisition costs

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| At 1 January | 28,610 | 10,285 |
| Acquisition costs capitalised during the year | 17,519 | 15,911 |
| Acquisition costs amortised and other movements during the year | (3,466) | 3,317 |
| Foreign exchange movement | 1,853 | (903) |
| At 31 December | 44,516 | 28,610 |
| Current (within 12 months) | 13,541 | 10,929 |
| Non-current (after 12 months) | 30,975 | 17,681 |
| | 44,516 | 28,610 |

The deferred acquisition costs relate to the investment contract business of the Group.

### 12 Other intangible assets

| | Goodwill £'000 | Software £'000 | Total £'000 |
|---|---|---|---|
| **Year ended 31 December 2019** | | | |
| Opening net book amount | 2,000 | 61 | 2,061 |
| Acquired on acquisition of subsidiary | 1,787 | – | 1,787 |
| Additions | – | 484 | 484 |
| Amortisation charge | – | (90) | (90) |
| Write-off of intangibles | (3,787) | – | (3,787) |
| **Closing net book value** | – | 455 | 455 |
| **Net book value** | | | |
| Cost | – | 3,299 | 3,299 |
| Accumulated amortisation | – | (2,844) | (2,844) |
| **At 31 December** | – | 455 | 455 |
| **Year ended 31 December 2020** | | | |
| Opening net book amount | – | 455 | 455 |
| Additions | – | 318 | 318 |
| Amortisation charge | – | (165) | (165) |
| **Closing net book value** | – | 608 | 608 |
| **Net book value** | | | |
| Cost | – | 3,618 | 3,618 |
| Accumulated amortisation | – | (3,010) | (3,010) |
| **At 31 December** | – | 608 | 608 |

## 13 Property, plant and equipment

| | Right of use asset £'000 | Leasehold improvements computer and office equipment £'000 | Land £'000 | Total £'000 |
|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | |
| Opening net book amount | – | 2,236 | 3,450 | 5,686 |
| Impact of the adoption of IFRS 16 | 11,979 | – | – | 11,979 |
| Additions on acquisitions of subsidiaries | 6,019 | 1,473 | – | 7,492 |
| Additions | 2,431 | 804 | 150 | 3,385 |
| Disposals | – | (2) | – | (2) |
| Depreciation charge | (2,713) | (1,489) | – | (4,202) |
| Foreign exchange movement | (585) | (50) | – | (635) |
| Closing net book value | 17,131 | 2,972 | 3,600 | 23,703 |
| **At 31 December 2019** | | | | |
| Cost | 20,043 | 15,360 | 3,600 | 39,003 |
| Accumulated depreciation | (2,912) | (12,388) | – | (15,300) |
| Net book amount | 17,131 | 2,972 | 3,600 | 23,703 |

| | Right of use asset £'000 | Leasehold improvements computer and office equipment £'000 | Land £'000 | Total £'000 |
|---|---|---|---|---|
| Year ended 31 December 2020 | | | | |
| Opening net book amount | 17,131 | 2,972 | 3,600 | 23,703 |
| Additions on acquisitions of subsidiaries | 4,279 | – | – | 4,279 |
| Additions in the year | 181 | 1,038 | – | 1,219 |
| Disposals | – | (33) | – | (33) |
| Depreciation charge | (3,963) | (1,456) | – | (5,419) |
| Transfer to held for sale | – | – | (3,600) | (3,600) |
| Foreign exchange movement | 483 | 123 | – | 606 |
| Closing net book value | 18,111 | 2,644 | – | 20,755 |
| At 31 December 2020 | | | | |
| Cost | 24,867 | 15,710 | – | 40,577 |
| Accumulated depreciation | (6,756) | (13,066) | – | (19,822) |
| Net book amount | 18,111 | 2,644 | – | 20,755 |

## 14 Financial assets at fair value held to cover linked liabilities

The following financial investments and other investments are held to cover financial liabilities under investment contracts.

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fixed income securities | 1,715,132 | 1,821,346 |
| Deposits and loans | 398,697 | 1,959,805 |
| Ordinary shares and funds | 30,012,259 | 22,417,956 |
| Other investments | 316,083 | 321,851 |
| Modified coinsurance account | 402,073 | 523,975 |
| Cash and cash equivalents | 2,245,374 | 1,857,785 |
| | 35,089,618 | 28,902,718 |

Included in the analysis above are investments of £272,999k (2019: £229,893k) which are Level 3 assets in the Fair Value Hierarchy. The nature of these assets means there may be limited liquidity through suspensions, liquidations or by the nature of assets the underlying fund invests into.

Other investments includes structured notes and collateralised securities.

### 14 Financial assets at fair value held to cover linked liabilities continued

**Interest in structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Group considers its investments in collective investment schemes to be investments in unconsolidated structured entities, which are recognised within 'Assets held to cover linked liabilities' on the Statement of Financial Position. These investments largely represent assets held to back policyholder linked liabilities, and as such any market movements (recognised within 'Investment return' in the Statement of Comprehensive Income) is matched by a change in investment contract liabilities in the Statement of Comprehensive Income.

The Group does not determine it has any interests in consolidated structured entities as at 31 December 2020 (2019: £nil).

**Modified coinsurance account**

In 2013 Utmost Limited entered into an agreement with AXA Hong Kong (AXA China Region Insurance (Bermuda) Limited ("CRIB")). Under this agreement the AXA Hong Kong (ACR) book of business migrated from traditional reinsurance to a modified coinsurance ("ModCo") arrangement. The main effect of the ModCo arrangement is that the statutory reserve on the ceded business is the obligation of, and held by the ceding company (CRIB) rather than the reinsurer (Utmost Limited). Utmost Limited remains at risk of loss from lapse and surrenders. The Modco is a financial asset held at fair value backing the investment contract liabilities on unit-linked policies written with ACR and ALS.

On migration the underlying unit-linked assets relating to the ACR book of business equal to the reserve were provided to and became the property of CRIB as the ceding insurance company.

In the event of the cedant's insolvency the liability of the reinsurer (Utmost Limited) is limited as Utmost Limited has the right to offset any claims arising under the arrangement against the assets held by the ceding company.

A modified coinsurance arrangement similar to the one above was entered into by AXA Life Singapore Limited (ALS) and Utmost Limited. The terms and conditions under this modified coinsurance arrangement are similar to the agreement with ACR. In addition to the risk of loss from lapse and surrenders Utmost Limited retains the mortality risk on the ALS policies. AXA Life Singapore Limited changed its name to AXA Insurance Pte Limited in January 2017.

The modified coinsurance account is categorised as Level 2 in the fair value hierarchy under IFRS 13. The movement and closing balance on the Modified Coinsurance Account at 31 December comprises:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Balance at 1 January | 523,975 | 571,949 |
| Deposits to investment contracts | 4,633 | 5,350 |
| Withdrawals from investment contracts | (60,220) | (39,748) |
| Attributable investment income | 7,636 | 2,576 |
| Attributable net loss on investments | (70,842) | (12,164) |
| Policy charges | (3,069) | (3,949) |
| Attributable expenses and charges | (40) | (39) |
| Balance at 31 December | 402,073 | 523,975 |

### 15 Other investments

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Debt securities – at fair value through profit and loss | 1,697,546 | 1,537,124 |
| Debt securities – at fair value through other comprehensive income | 278,396 | 278,827 |
| Debt securities at amortised cost | 10,582 | 10,579 |
| Ordinary shares and funds – at fair value through profit and loss | 269,992 | 146,648 |
| Other | 23,371 | 17,165 |
| | 2,279,887 | 1,990,343 |

Ordinary shares and funds includes the Group's holdings in the Oaktree European Senior Loan Fund, domiciled in Luxembourg. This fund has monthly valuation and liquidity. This investment falls into the Level 2 fair value hierarchy. The Group's holdings are in the GBP share class of £11,036k at 31 December 2020 (2019: £10,923k). Dividends are made quarterly and reinvested in additional units in the fund. The investment return on the investment is attributable in full to the Group. The security is held subject to prices in the future which are uncertain. The price risk falls to the Group but is not considered significant as at 31 December 2020 and 31 December 2019.

## 16 Italian withholding tax prepayment and accrual

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Asset** | | |
| Balance at 1 January | 122,432 | 140,100 |
| Payable in the year | 18,303 | – |
| Recovered from policyholders during the year | (10,971) | (8,832) |
| Prior year adjustments | (22,126) | (392) |
| Foreign exchange movement | 7,080 | (8,444) |
| **Balance at 31 December** | 114,718 | 122,432 |
| **Liability** | | |
| Balance at 1 January | – | 32,204 |
| Payable in the year | 18,303 | – |
| Paid during the year | (18,303) | (32,204) |
| Foreign exchange movement | – | – |
| **Balance at 31 December** | – | – |
| **Maturity analysis of tax expected to be recovered** | | |
| In one financial year or less | – | – |
| In more than one financial year, but not more than five financial years | 96,276 | 122,432 |
| In more than five financial years, but not more than twenty financial years | 18,442 | – |
| **Total** | 114,718 | 122,432 |

The Italian withholding tax asset represents a 'tax prepayment' asset relating to prepaid withholding tax in relation to unit-linked business sold by UPE to Italian policyholders on a 'Freedom of Services' basis. The amount prepaid to the tax authority is based on a percentage of total mathematical reserves (MR) for the Italian business (currently 0.45%) and is paid each June subject to a cap of a specified percentage (currently 1.8%) of MR in respect of Italian policies. The tax prepayment is recovered over time via several methods, including reclaiming tax directly from policyholders who elect to surrender their policy, or alternatively reducing the amount paid to the Italian tax authority in future periods, using specific rules which allow the prepayment to be reduced based on amounts paid five years beforehand.

## 17 Other receivables

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Debtors arising out of investment and insurance contracts | 64,753 | 65,653 |
| Investment dealing debtors | 10,781 | 5,646 |
| Retirement benefit asset (see note 19) | 37 | 3,620 |
| BNPP collateral | 11,300 | 7,800 |
| Accrued income and prepayments | 55,265 | 40,828 |
| Other receivables | 2,681 | 13,543 |
| | 144,817 | 137,090 |
| Current (within 12 months) | 133,517 | 129,290 |
| Non-current (after 12 months) | 11,300 | 7,800 |
| | 144,817 | 137,090 |

The BNPP collateral above relates to cash collateral received under derivative arrangements with the counterparty BNP Paribas.

## 18 Cash and cash equivalents

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Deposits with credit institutions | 5,321 | 8,751 |
| Cash at bank | 273,131 | 177,354 |
| | 278,452 | 186,105 |

### 19 Retirement benefit schemes

The Group operates two defined benefit pension schemes – the Reliance Pension Scheme ("RPS") and Utmost Worldwide Employee Pension Scheme ("UWEPS"). Under IAS 19: Employee Benefits and IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, the Group can only recognise a surplus to the extent that it is able to access the surplus either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members.

The assets and liabilities of the two defined benefit schemes are as follows:

| | As at 31 December 2020 | |
|---|---|---|
| | RPS £'000 | UWEPS £'000 |
| Present value of funded obligations | (41,531) | (22,117) |
| Fair value of plan assets | 39,373 | 22,154 |
| Net (liability)/asset/recognised in the Statement of Financial Position | (2,158) | 37 |
| The amounts recognised in the Statement of Comprehensive Income are as follows: | | |
| Net interest on defined benefit obligation | (100) | 72 |
| Re-measurement recognised | (100) | (3,655) |
| Actual return on fund assets | – | 21 |
| Pension scheme expenses | (200) | – |
| | (400) | (3,562) |

| | As at 31 December 2019 | |
|---|---|---|
| | RPS £'000 | UWEPS £'000 |
| Present value of funded obligations | (37,131) | (20,175) |
| Fair value of plan assets | 33,862 | 23,795 |
| Net (liability)/asset/recognised in the Statement of Financial Position | (3,269) | 3,620 |
| The amounts recognised in the Statement of Comprehensive Income are as follows: | | |
| Net interest on defined benefit obligation | (147) | (95) |
| Re-measurement recognised | (617) | 114 |
| Actual return on fund assets | – | 3,304 |
| Pension scheme expenses | (252) | – |
| | (1,016) | 3,323 |

The changes in the retirement benefit obligations of the two defined benefit schemes are as follows:

| | For the year ended 31 December 2020 | |
|---|---|---|
| | RPS £'000 | UWEPS £'000 |
| **Change in retirement benefit obligation** | | |
| Retirement benefit obligation at 1 January | 37,131 | 20,175 |
| Benefits paid | (800) | (1,620) |
| Interest on obligation | 800 | 387 |
| Experience gains/(losses) | (700) | (120) |
| Losses/(gains) from changes in financial assumptions | 5,200 | 3,251 |
| Losses/(gains) from changes in demographic assumptions | – | 44 |
| Other | (100) | – |
| Retirement benefit obligation at 31 December | 41,531 | 22,117 |

| | For the year ended 31 December 2019 | |
|---|---|---|
| | RPS £'000 | UWEPS £'000 |
| **Change in retirement benefit obligation** | | |
| Retirement benefit obligation at 1 January | 32,904 | 19,794 |
| Benefits paid | (715) | (2,714) |
| Interest on obligation | 922 | 516 |
| Experience gains | (2,052) | 86 |
| Gains from changes in financial assumptions | 4,993 | 2,564 |
| Gains from changes in demographic assumptions | 462 | (71) |
| Past service cost | 617 | – |
| Retirement benefit obligation at 31 December | 37,131 | 20,175 |

The changes in the fair value of the plan assets of the two defined benefit schemes are as follows:

| | For the year ended 31 December 2020 | |
|---|---|---|
| | RPS £'000 | UWEPS £'000 |
| **Change of fair value of plan assets** | | |
| Fair value of plan assets at 1 January | 33,862 | 23,795 |
| Interest on assets | 700 | 459 |
| Return on assets (not including interest) | 4,800 | (480) |
| Benefits paid | (800) | (1,620) |
| Contributions by the Group | 1,011 | – |
| Pension scheme expenses | (200) | – |
| Closing fair value of plan assets | 39,373 | 22,154 |

| | For the year ended 31 December 2019 | |
|---|---|---|
| | RPS £'000 | UWEPS £'000 |
| **Change of fair value of plan assets** | | |
| Fair value of plan assets at 1 January | 29,520 | – |
| Fair value of plan assets on acquisition | – | 23,204 |
| Interest on assets | 839 | 612 |
| Return on assets (not including interest) | 3,459 | 2,693 |
| Benefits paid | (715) | (2,714) |
| Contributions by the Group | 1,011 | – |
| Pension scheme expenses | (252) | – |
| Closing fair value of plan assets | 33,862 | 23,795 |

19 Retirement benefit schemes continued

The weighted average durations of the liabilities of RPS and UWEPS were 24 years and 27 years respectively as at 31 December 2020 (24 years and 26 years respectively as at 31 December 2019).

**Plan asset disaggregation by asset class**

| | As at 31 December 2020 | |
|---|---|---|
| | RPS % | UWEPS % |
| Equities | 39.2 | 69.9 |
| Bonds | 59.8 | 27.7 |
| Property | – | 1.3 |
| Cash | 1.0 | 1.1 |
| | 100.0 | 100.0 |

| | As at 31 December 2019 | |
|---|---|---|
| | RPS % | UWEPS % |
| Equities | 42.4 | 68.7 |
| Bonds | 56.9 | 24.1 |
| Property | – | 1.6 |
| Cash | 0.7 | 5.6 |
| | 100.0 | 100.0 |

**Plan assumptions**

| | As at 31 December 2020 | |
|---|---|---|
| | RPS % | UWEPS % |
| Discount rate | 1.4 | 1.4 |
| Inflation | 2.9 | 2.9 |
| Rate of increase in deferred pensions | 2.5 | 2.9 |
| Rate of increase in pension payments | 2.9 | 2.9 |

| | As at 31 December 2019 | |
|---|---|---|
| | RPS % | UWEPS % |
| Discount rate | 2.0 | 2.0 |
| Inflation | 3.1 | 3.0 |
| Rate of increase in deferred pensions | 2.3 | 2.9 |
| Rate of increase in pension payments | 3.1 | 2.9 |

**Mortality Assumptions**

| | | Expectation of life from retirement at age 65 | | | |
|---|---|---|---|---|---|
| | | Male currently aged 65 | Male currently aged 45 | Female currently aged 65 | Female currently aged 45 |
| 31 December 2020 | RPS | 22.4 | 23.8 | 24.6 | 26.1 |
| | UWEPS | 23.2 | 24.7 | 26.8 | 28.3 |
| **31 December 2019** | RPS | 22.3 | 23.7 | 24.6 | 26.0 |
| | UWEPS | 25.1 | 26.6 | 26.6 | 28.2 |

**Sensitivity Analysis**
The following tables illustrate the sensitivity of the Retirement Benefit Obligations of the two schemes at 31 December 2020 to changes in the significant actuarial assumptions.

RPS

| | Impact on value of retirement benefit obligation | |
|---|---|---|
| | £m | £m |
| Scenario | | |
| Interest rates – up 50 bps/down 50 bps | (4.1) | 4.1 |
| Inflation – up 100 bps/down 100 bps | (8.1) | 8.1 |
| Mortality tables – add/subtract 5% to long-term rate of improvement | (0.6) | 0.6 |

UWEPS

| | Impact on value of retirement benefit obligation | |
|---|---|---|
| | £m | £m |
| Scenario | | |
| Interest rates – up 50 bps/down 50 bps | (2.8) | 3.3 |
| Inflation – up 50 bps/down 50 bps | 2.5 | (2.7) |
| Mortality tables – add/subtract 5% to long-term rate of improvement | (0.3) | 0.3 |

**Funding Policy**
RPS
On 1 April 2018 and as part of the business transfer agreement, the Group became the principal employer to the defined benefit pension scheme. The scheme has been closed to future accrual since June 2010. The last full valuation of the scheme was carried out as at 31 March 2019. Following this the Trustee of the scheme and the Group agreed that a revised schedule of contributions at £210k per quarter to cover the deficit and £42.75k per quarter to cover the expenses would be payable commencing in January 2020 and ending in July 2023. During the year from 1 January to 31 December 2020 the Group made contributions (including deficit funding) of £1.0m (2019: £1.0m).

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

## 20 Investment contract liabilities
The following table summarises the movement in financial liabilities under investment contracts during the year:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Balance at start of year | 28,443,945 | 23,962,198 |
| Addition on acquisition of subsidiaries | 5,579,094 | 2,981,828 |
| Deposits to investment contracts | 1,769,569 | 1,546,803 |
| Withdrawals from investment contracts | (3,084,913) | (1,912,029) |
| Fees and charges deducted including third-party charges | (121,495) | (88,515) |
| Third-party compensation applied | – | 44 |
| Commissions and rebates receivable | (26,558) | (23,384) |
| Change in investment contract liabilities | 1,216,267 | 2,710,537 |
| Other movements | 1,107 | (8,838) |
| Foreign exchange movement | 535,038 | (724,699) |
| Movement in the year | 5,868,109 | 4,481,747 |
| Closing balance carried forward | 34,312,054 | 28,443,945 |

Any policy can be surrendered at any time, investment contract liabilities therefore have a minimum maturity of 0-1 years. In practice, this is unlikely to happen given that these products are long-term investment contracts and more specifically, may reflect the settlement terms achieved on the disposal of assets in the terms it offers on the settlement of liabilities backed by those assets.

The addition on acquisition of subsidiaries balance in 2020 relates to the acquisition of ELAS and for 2019 relates to the acquisition of UW.

## 21 Insurance contract liabilities

| | Gross liabilities 2020 £'000 | Reinsurers' share 2020 £'000 | Gross liabilities 2019 £'000 | Reinsurers' share 2019 £'000 |
|---|---|---|---|---|
| Insurance contracts | 3,571,665 | 1,193,523 | 2,566,613 | 783,213 |
| Investment contracts with DPF | 63,512 | – | 49,708 | – |
| As at 31 December | 3,635,177 | 1,193,523 | 2,616,321 | 783,213 |
| | | | | |
| As at 1 January | 2,616,321 | 783,213 | 1,921,615 | 623,984 |
| Additions on acquisition of subsidiaries | 737,546 | 363,781 | 665,910 | 105,995 |
| Policyholder premiums | 240,241 | 172,297 | 216,543 | 155,447 |
| Policyholder claims | (311,896) | (114,926) | (253,629) | (108,876) |
| Other changes in liabilities | 312,494 | (20,385) | 104,234 | 37,385 |
| Foreign exchange movements | 40,471 | 9,543 | (38,352) | (30,722) |
| As at 31 December | 3,635,177 | 1,193,523 | 2,616,321 | 783,213 |

The reinsurers' share balance above consists of the reinsurers' share of insurance contract liabilities balance of £1,233,992k (2019: £818,106k) offset by the reinsurance liability balance of £40,469k (2019: £34,893k).

The table below provides a breakdown of the gross liabilities balance between the respective components:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Life assurance provision | 3,245,414 | 2,289,773 |
| Unearned premium reserve | 31,507 | 32,443 |
| Incurred but not reported reserve | 65,125 | 76,551 |
| Reported but not settled reserve | 261,489 | 195,797 |
| Other | 31,642 | 21,757 |
| | 3,635,177 | 2,616,321 |

Included within the insurance contract liabilities balance above are £5.1m (2019: nil) of additional reserves in respect of Covid-19.

See note 30 for the key judgements and sensitivities in respect of insurance contract liabilities.

## 22 Unallocated surplus

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| At 1 January | 99,685 | 87,462 |
| Addition on acquisition of subsidiaries | 5,086 | – |
| Transfer from/(to) Statement of Comprehensive Income | (9,975) | 13,939 |
| Foreign exchange adjustments | 1,674 | (1,716) |
| At 31 December | 96,470 | 99,685 |

### 23 Deferred front end fees

The movement in value over the year is summarized below:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| At 1 January | 37,981 | 17,982 |
| Fees received and deferred during the year | 14,054 | 12,621 |
| Recognised in contract fees and other movements during the year | (1,656) | 8,907 |
| Foreign exchange movements | 1,877 | (1,529) |
| | 52,256 | 37,981 |
| | | |
| Current (within 12 months) | 4,727 | 8,944 |
| Non-current (after 12 months) | 47,529 | 29,037 |
| | 52,256 | 37,981 |

### 24 Borrowings

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Loan principal | 300,000 | 160,660 |
| Loan accrued interest | 2,564 | 663 |
| | 302,564 | 161,323 |
| | | |
| Payable within one year | 2,564 | 663 |
| Payable after more than one year | 300,000 | 160,660 |
| | 302,564 | 161,323 |

On 9 November 2020 Utmost Group Limited issued £300,000k of Tier 2 loan notes, listed on The International Stock Exchange, to its immediate parent company Utmost Holdings (Guernsey) Limited. The Group used the proceeds of this issuance to repay the existing debt facilities between UIG Holdings (No 1) Ltd and Utmost UK Group Holdings Limited with Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 6% with interest repayments in May and November.

At 31 December 2019 UIG Holdings (No 1) Ltd had in issue €119,000k of loan notes which accrued interest at 5% and were subscribed for by a related party UIG Holdings (No 3) Ltd. The loan note was repayable in June 2028 or earlier at the option of the issuer. The €119,000k of loan notes were listed on The International Stock Exchange.

At 31 December 2019 Utmost UK Group Holdings Limited had a £60,000k Tier 2 facility with a related party UUG Holdings (No 3) Ltd. with a maturity date of 9 December 2030. The facility accrued interest at 7%.

The loan notes issued by UIG Holdings (No 1) Ltd and Utmost UK Group Holdings Limited were redeemed during the year as part of a reorganisation of the Group's debt.

### 25 Deferred tax assets and liabilities

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Deferred tax assets | 7,725 | 5,881 |

The movement between the opening and closing deferred tax asset balance is shown in the table below:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Balance as at 1 January | 5,881 | 8,415 |
| Deferred tax credit/(charge) for the year | 1,523 | (2,131) |
| Foreign exchange movement | 321 | (403) |
| Balance as at 31 December | 7,725 | 5,881 |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Deferred tax liability | 38,780 | 22,714 |

### 25 Deferred tax assets and liabilities continued

The deferred tax liability arises on the acquisitions of UPE (£13,487k), Utmost Worldwide (£1,649k) and ELAS and RMIS (£23,644k), representing the associated tax impact of recognising the AVIF asset detailed in note 10 and the gain on bargain purchase on the acquisitions of ELAS and RMIS. It is expected that the tax liability will be paid as future profits emerge from the in-force business.

The movement between the opening and closing deferred tax liability balance is shown in the table below:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Balance as at 1 January | 22,714 | 23,709 |
| Additions on acquisition of subsidiary | 2,510 | 2,469 |
| Deferred tax charge for the year | 12,729 | (2,454) |
| Foreign exchange movement | 827 | (1,010) |
| Balance as at 31 December | 38,780 | 22,714 |

### 26 Other payables

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Tax payable/provision – policyholders | 4,437 | 476 |
| Premiums received in advance of policy issue | 7,282 | 10,230 |
| Amounts due to investment contract holders | 62,369 | 80,146 |
| Investment dealing creditors | 3,416 | 2,648 |
| Lease liability | 18,668 | 17,396 |
| Collateral due to BNPP | 11,300 | 7,800 |
| Other creditors and accruals | 114,560 | 79,226 |
| | 222,032 | 197,922 |

All other payables are due for settlement within one year with the exception of the defined benefit obligation (see note 19) included within other creditors and accruals, collateral due for swaptions counterparty and the lease liability as disclosed below:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Opening amount | 17,396 | – |
| Impact of adopting IFRS 16 | – | 11,814 |
| Additions on acquisition of subsidiary | 4,472 | 6,176 |
| Additions | 257 | 2,431 |
| Interest charge in the year (note 8) | 760 | 718 |
| Lease payments made in the year | (4,643) | (3,102) |
| Foreign exchange movements | 426 | (641) |
| | 18,668 | 17,396 |
| Current (within 12 months) | 3,375 | 1,906 |
| Non-current (after 12 months) | 15,293 | 15,490 |
| | 18,668 | 17,396 |

## 27 Called up share capital presented as equity

| | 2020 Number | 2019 Number |
|---|---|---|
| Allotted, called up and fully paid<br>Ordinary shares of £1 each | 100,000,000 | 1,206,548,000 |

| | £'000 | £'000 |
|---|---|---|
| Ordinary shares of £1 each | 100,000 | 1,206,548 |
| | 100,000 | 1,206,548 |

The movements in the year were as follows:

| | Ordinary No. of shares 2020 |
|---|---|
| At beginning of the year | 1,206,548,000 |
| Issued during the year | – |
| Redeemed during the year | (1,106,548,000) |
| At end of financial year | 100,000,000 |

The ordinary shares were redeemed through a capital reduction on 1 October 2020 as part of the wider group reorganisation.

## 28 Foreign currency translation reserve

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| At beginning of the year | 1,300 | 5,186 |
| Foreign currency translation movements in the year | 10,329 | (3,886) |
| At end of year | 11,629 | 1,300 |

The foreign currency translation reserve ("FCTR") represents the cumulative foreign currency impact arising from the translation of the results and financial position of subsidiaries where the functional currency differs from the Group's presentation currency of Pounds Sterling. The exchange differences referred to result from translating income and expenses at the exchange rates at the dates of transactions and assets and liabilities at the closing rate, and from translating the opening net assets at a closing rate that differs from the previous closing rate.

## 29 Cash flow statement

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Profit before taxation | 102,225 | 182,597 |
| **Non-cash movements** | | |
| Amortisation of acquired VIF | 52,802 | 60,111 |
| Depreciation of property, plant and equipment | 5,419 | 4,202 |
| Amortisation and write-off of intangible assets | 165 | 3,877 |
| Gains arising on bargain purchases | (86,176) | (193,095) |
| **Change in working capital** | | |
| Movement in investment contract and insurance contract liabilities, net of policyholder claims | (450,685) | 2,377,533 |
| Movement in unallocated surplus | (9,975) | 13,939 |
| Net movement in financial assets | 457,099 | (2,606,342) |
| Change in other working capital items | 49,581 | 54,912 |
| **Net cash flows generated from operating activities** | 120,455 | (102,266) |

## 30 Risk management

The identification, measurement and management of risk is a priority for the Group. Consequently the Board of directors has established a comprehensive framework covering accountability, oversight, measurement and reporting to ensure maintenance of sound systems of internal control and risk management to ensure the Group operates within its risk appetite. Risk appetite is a measure of the amount and type of risks the Group is willing to accept in pursuit of its objectives. It seeks to encourage a measured and appropriate approach to risk to ensure risks are understood and aligned to the business strategy and objectives. The primary objective is the protection of the solvency ratio to ensure it has and will have sufficient capital to discharge all liabilities as and when they become due.

**Governance structure**

The Group's governance structure comprises the UGL Board and appropriate subsidiary board and Committee structures in each of the regulated operating companies. The subsidiary board committees are the Audit Committee, Risk and Compliance Committee, Remuneration Committee, Investment Committee, in Ireland, the UPE Banking Committee and in the UK, ULP has a Nominations and a With-Profits Committee.

From September 2021, the UGL Audit, Risk and Compliance Committee ("ARCC") will be responsible for making recommendations to the UGL Board on the appointment of auditors and the audit fee, ensuring that the financial performance of the Company is properly monitored and reported on and reviewing the Company's financial statements and any formal statements on financial performance as well as reports from the Company's auditors on those financial statements. In addition, the ARCC will review the Company's internal control and risk management systems to assist the UGL Board in fulfilling its responsibilities relating to the effectiveness of those systems. The ARCC will meet at least four times a year, or more frequently if required, when the new Board appointments described on page 49 have been completed. Throughout 2020 and up to the signing date, the UGL Board have fulfilled this role without the assistance of a Committee.

The Board is responsible for identifying and articulating the risk appetite of the Group which is expressed and managed through the Risk Appetite Statement. The Risk Appetite Statement is reviewed annually by the Board and each subsidiary board following recommendation from the relevant Risk and Compliance Committee as appropriate.

Subsidiary board committees

The Audit Committees are responsible for reviewing the appropriateness and completeness of the systems of internal control. The Audit Committees also review the annual financial statements, consider the significant financial reporting issues and judgements which they contain and makes recommendations to the subsidiary boards concerning their content and approval.

The Risk and Compliance Committees are responsible for the review and oversight of the risk and compliance profile of the relevant operating business within the context of the determined risk appetite, external events and the business plans of the relevant operating company and the Group.

The Remuneration Committees are responsible for overseeing the appointment of new directors to the subsidiary boards, and formal, fair and impartial determination of remuneration of executive directors to ensure the long-term success of each operating business within the Group.

The Investment Committees are responsible for the overall asset management strategy and policies of each operating business and for identifying, monitoring, reporting, and controlling the risks connected with investment activities and approving changes to specific investments and changes to appetite or tolerances.

The UPE Banking Committee is responsible for the opening and closure of all master Custodian and Corporate bank accounts. The Banking Committee is responsible for the review and approval of appointments to the authorised signatory list and their levels of authorisation.

The ULP With-Profits Committee ("WPC") has delegated responsibility to act in an advisory capacity to inform decision-making by the ULP Board in relation to the management of ULP's With-Profits Sub-Funds ("WPSFs"), including the way in which each of the WPSFs is managed by ULP including adherence to the Principles and Practices of Financial Management ("PPFM") and the future distribution of surplus in the WPSFs. The WPC pays close regard to policyholders' reasonable expectations and ensures that principles of Treating Customers Fairly are followed.

The principal risks faced by the Group are operational risk, taxation risk, market risk, governance, regulatory and compliance risk, and strategic risk, including risks related to the acquisition and integration of other businesses. Other risks faced by the Group include credit risk, market risk, liquidity risk and funding risk.

Existing or potential future risk exposures are investigated in a structured way, using internal and external resources and actions to mitigate, contain or remove these risks are taken.

**Operational risk**

Operational risk represents the risk that failed or inadequate processes, people or systems, or exposure to external events, could result in unexpected losses. The risk is associated with human error, systems failure and inadequate controls and procedures.

The Group recognises the importance of retaining key resources in order to operate effectively.

The Group operates such measures of risk identification, assessment, monitoring and management as are necessary to ensure that operational risk management is consistent with the approach, aims and strategic goals of the Group and is designed to safeguard the Group's assets while allowing the Group to earn a satisfactory return for shareholders and policyholders.

The Group has taken steps to minimise the impact of external physical events which would interrupt normal business, for example an inability to access or trade from the premises. A disaster recovery plan is in place for workspace recovery and retrieval of data and IT systems. These procedures would enable the Group to move operations to alternative facilities.

The risk management framework includes the responsibilities of senior management, the requirement for reporting of operational risk incidents and the role of internal and external control functions of the Group in providing independent assurance. Recognising that operational risk cannot be entirely eliminated, the Group implements risk mitigation controls including fraud prevention, contingency planning and incident management and reporting.

The Group mitigates cyber risk through business continuity and disaster recovery planning and testing, ongoing internal reviews of internal systems and access controls and ongoing monitoring of regulatory changes including those related to General Data Protection Regulation.

Covid-19 has increased the operational risk profile of the Group through mandatory remote working as well as impacts to the health and wellbeing of the Group's employees. Increased levels of employees working from home has increased the risks in respect of occupational health as well as from cyber and data loss. The Group has not seen an increase in the volume of cyber related incidents as a result of Covid-19.

The Group's response to the increased operational risks arising from Covid-19 are detailed in the Chief Executive Officer's report as well as note 31 to these financial statements.

**Strategic risk**

Strategic risk covers the inherent risk present in the strategy of the entity. The particular strategic risks faced by the Group at this time surround the dual challenges of managing the existing business whilst seeking to execute transactions to acquire, integrate and manage new acquired life funds. As part of the strategy to grow through acquisition, the Group is exposed to the risk that it does not complete effective due diligence and is then exposed to the financial risks in completing the transaction and managing the business.

All acquisitions are subject to detailed due diligence supported by independent professional subject matter experts and are then subject to scrutiny and approved by the Board. In addition the Group is exposed to the risk of failing to integrate and successfully restructure the businesses it has acquired. The process of integration, restructuring and managing the combined businesses, particularly in a small organisation with limited staff numbers, poses particular challenges and is subject to focus at the highest level involving the entire management team.

**Taxation risk**
Taxation risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risk effectively could lead to additional tax charges. It could also lead to financial penalties for failure to comply with required tax procedures or other aspects of tax law. The Group is subject to the application and interpretation of tax laws in all countries in which it operates and/or it has invested into. Providing sufficient cash flows are available tax liabilities arising from unit-linked investments are, in general, met through a reduction in the related liability to policyholders under investment contracts. The Group has internal tax resources and external tax advisers. Notwithstanding the use of both internal and external taxation advice, tax authorities could take a contrasting view on the interpretation of certain aspects of tax law to that of the Group and its advisers. If the costs associated with the resolution of tax matters are greater than anticipated, it could negatively impact the financial position of the Group.

**Governance & regulatory compliance risk**
Governance covers the overall oversight and control mechanisms which a firm has in place to ensure it is soundly and prudently managed. Regulatory compliance risk primarily arises from a failure or inability to comply fully with the laws, regulations, standards or codes applicable specifically to regulated entities in the financial services industry. Any non-compliance may result in the Group being subject to regulatory sanctions, material financial loss and/or loss of reputation. Changes in legislation or regulatory interpretation applying to the life assurance industry may adversely affect the Group's capital requirements and, consequently, reported results and financing requirements.

**Market risk**
Market risk is the risk that the value of an investment or portfolio decreases as a result of changes in, inter alia, equity prices, foreign exchange rates, interest rates and/or commodity prices. The extent of the exposure to market risk is managed by the respective investment committees in the subsidiary operating companies and via compliance with the respective investment policies incorporating defined limits and guidelines. Both the operational compliance and the risk appetite are actively managed through the Investment Committees. Concentration risk is one factor considered to ensure there is no loss arising from overdependence on a single asset class or category of business (see Credit Risk note). In respect of the shareholder backed debt securities, the principal market risk is from interest rate risk. The sensitivity of these debt securities to movements in interest rates is detailed in the interest rate risk section below. If equity and property prices were to fall by 10% the impact to the net assets of the Group would be approximately £19.5m.

**Unit-linked funds**
Assets held on behalf of policyholders are subject to market risk, including price and foreign exchange risk, credit risk, liquidity risk and funding risk. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities. The Group's exposure to market risk on unit-linked funds is limited to the extent that income arising from asset management charges in certain funds, and its ability to collect that income, is based on the cash flows arising and the value of the assets in the fund, and to changes in the value of any units in funds the Group may hold. In many funds the asset management charge is based on the higher of premiums paid or fund value, further limiting this risk. The Group's assessment concludes that if markets were to suffer a permanent fall of 10%, the impact on Group fee income would be approximately £13.6m. The impact to the Group's profit would be less than this due to certain expenses also being variable in nature. Covid-19 has not had a material impact to the fee income of the Group during the year.

**Expense risk**
Expense risk is the risk that actual expenses of the Group differ from the levels expected and allowed for within the pricing and reserving process. Expenses are reviewed annually in light of experience and any changes to the market rate of inflation. A 10% increase to expenses would decrease profit by £32.2m. Covid-19 has not had a material impact to the expenses of the Group during the year.

**Interest rate risk**
Interest rate risk is the risk that the Group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates. The Group manages interest rate risk through the activities of the investment committees in the local businesses through regular assessments and monitoring of the investment portfolios.

The Group is primarily exposed to interest rate risk on the balances that it holds with financial institutions, borrowings from credit institutions as well as through the debt securities held in UW and ULP. Shareholders' funds are invested in either cash or fixed interest deposits to provide a low level of interest rate risk, and in other investments such as detailed in note 15. A change in interest rates will impact the Group's annual investment income and equity.

The Group also holds assets, on behalf of policyholders, which are exposed to interest rate movements. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities.

For unitised with-profit business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. In practice, the Group maintains an appropriate mix of fixed and variable rate income securities according to the underlying insurance or investment contracts and reviews this at regular intervals to ensure that overall exposure is kept within the agreed risk profile. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

The Group is exposed to interest rate risk through the closed annuity books in UW and ULP. In respect of this, assets are closely matched to the estimated liabilities to immunise the Company against interest rate risk for this book of business.

The following table details the impact to the Group if interest rates were to increase or decrease by 100 bps:

| | 2020 | |
|---|---|---|
| | Profit before tax | Shareholder equity |
| Increase of 100 bps in interest rates | £14.1m | £11.2m |
| Decrease of 100 bps in interest rates | (£33.6m) | (£31.2m) |

**Currency risk**
Currency risk is the risk that the Group is exposed to higher or lower returns as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying exchange rates.

The Group operates primarily in Ireland, UK, Guernsey and the Isle of Man and is exposed to currency risk between the functional currency of Euro of the Irish business and the presentation currency of Pounds Sterling.

The Group is exposed to currency risk on the foreign currency denominated bank balances, contract fees receivable and other liquid assets that it holds to the extent that they do not match liabilities in those currencies. The impact of currency risk is minimised by frequent repatriation of excess foreign currency funds to Sterling. The Group does not currently hedge foreign currency cash flows.

Certain fees and commissions are earned in currencies other than Sterling, based on the value of financial investments held in those currencies from time to time. Sensitivities in respect of the Group's fee income are disclosed in the unit-linked funds note above.

30 Risk management continued

The Group also holds assets, on behalf of policyholders, which are exposed to currency movements. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities.

The following table details the impact to the Group if pounds sterling were to appreciate or depreciate by 20%:

| | 2020 | |
|---|---|---|
| | Profit before tax | Shareholder equity |
| Appreciation of GBP by 20% | (£2.7m) | (£2.7m) |
| Depreciation of GBP by 20% | £2.7m | £2.7m |

**Liquidity risk**

Liquidity risk is the risk that the Group, though solvent, does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost. The Group's principal exposure to liquidity risk arises in relation to the sale of illiquid assets required to meet liabilities in the event of the death of a policyholder. The Group may be obliged to purchase illiquid assets from a unit-linked fund in order to provide cash benefits to a policyholder's estate. With the exception of certain pension business, the Group has reserved the right to defer payment of death benefits from closed funds until there is sufficient liquidity in the fund to allow for an orderly realisation of cash.

The Group is required to pay certain taxes and levies to the Revenue Commissioners in Ireland and the Italian Agency of Revenue on behalf of policyholders; the latter arises primarily from the Italian withholding tax asset detailed in note 16. Where policyholder investments are held in property structures with insufficient liquidity then the Group may be required to meet these various tax obligations out of its own resources with the Group acquiring investment units in exchange or until such time as there is sufficient cash available from the related policyholder investments to refund the Group. The Group manages liquidity risk through ensuring a minimum percentage of assets are liquid at any time as monitored by the Investment Committee, and through the preparation of cash flow forecasts on a monthly basis in order to ensure sufficient assets are in place to meet existing and future obligations.

**Litigation risk**

The Group's business is subject to the risk of litigation by counterparties, policyholders or other third parties through private actions, class actions, regulatory actions, criminal proceedings or other forms of litigation. The outcome of any such litigation, proceedings or actions is difficult to assess or quantify. The cost of defending such litigation, proceedings or actions may be significant. As a result, such litigation, proceedings or actions may adversely affect the Group's business, financial condition, results, operations or reputation. The Group continues to rigorously defend any legal action that has been taken against it and has engaged the necessary legal resources as required.

**Outsourcing risk**

The Group has implemented a formal outsourcing process which ensures the implementation of appropriate organisational safeguards to monitor the performance of outsourcers and sets reporting obligations for critical outsourced activities.

**Maturity analysis**

| 31 December 2020 | Total £'000 | Within 1 Year £'000 | 1–5 years £'000 | Over 5 years £'000 | Policyholder £'000 |
|---|---|---|---|---|---|
| Financial investments | 37,379,505 | 420,638 | 743,513 | 1,125,736 | 35,089,618 |
| Cash and cash equivalents | 278,452 | 278,452 | – | – | – |
| Withholding tax asset | 114,718 | – | 96,276 | 18,442 | – |
| Debtors and reinsurers' share of insurance contract liabilities | 1,423,325 | 1,321,188 | 51,952 | 50,185 | – |
| Total | 39,196,000 | 2,020,278 | 891,741 | 1,194,364 | 35,089,618 |
| Other assets | 515,682 | | | | |
| Total assets | 39,711,682 | | | | |

| 31 December 2020 | Total £'000 | Within 1 Year £'000 | 1–5 years £'000 | Over 5 years £'000 | Policyholder £'000 |
|---|---|---|---|---|---|
| Insurance contract liabilities and reinsurance liability | 3,675,646 | 3,070,237 | 376,688 | 228,721 | – |
| Investment contract liabilities | 34,312,054 | – | – | – | 34,312,054 |
| Financial liabilities | 685,037 | 356,086 | 28,951 | 300,000 | – |
| Total | 38,672,737 | 3,426,323 | 405,639 | 528,721 | 34,312,054 |
| Other liabilities | 187,500 | | | | |
| Total liabilities | 38,860,237 | | | | |

| 31 December 2019 | Total £'000 | Within 1 Year £'000 | 1–5 years £'000 | Over 5 years £'000 | Policyholder £'000 | Policyholder £'000 |
|---|---|---|---|---|---|---|
| Financial investments | 30,910,111 | 451,676 | 568,616 | 871,684 | 28,902,718 | 115,417 |
| Cash and cash equivalents | 186,105 | 186,105 | – | – | – | – |
| Withholding tax asset | 122,432 | – | 122,432 | – | – | – |
| Debtors and reinsurers' share of insurance contract liabilities | 955,196 | 955,196 | – | – | – | – |
| Total | 32,173,845 | 1,592,977 | 691,048 | 871,684 | 28,902,718 | 115,417 |
| Other assets | 499,391 | | | | | |
| Total assets | 32,673,236 | | | | | |

| 31 December 2019 | Total £'000 | Within 1 Year £'000 | 1–5 years £'000 | Over 5 years £'000 | Policyholder £'000 | Policyholder £'000 |
|---|---|---|---|---|---|---|
| Insurance contract liabilities and reinsurance liability | 2,651,214 | 2,062,453 | 403,438 | 185,323 | – | – |
| Investment contract liabilities | 28,443,945 | – | – | – | 28,443,945 | – |
| Financial liabilities | 468,138 | 288,056 | 116,813 | 60,000 | – | 3,269 |
| Total | 31,563,297 | 2,350,509 | 520,251 | 245,323 | 28,443,945 | 3,269 |
| Other liabilities | 175,166 | | | | | |
| Total liabilities | 31,738,463 | | | | | |

**Insurance risk**
Insurance risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. The Group's contracts include the following sources of insurance risk:

– Mortality/longevity – Higher than expected death claims on assurance products and payments for a longer duration for annuity products;
– Expenses – Policies cost more to administer than expected;
– Lapses – An adverse movement in ether surrender rates or persistency rates on policies with guaranteed benefits leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.
– Claims – Higher than expected claims on short-term insurance contracts.

The impact of Covid-19 on the mortality, expenses, lapses and claims risks of the Group has been limited during 2020.

**Insurance risk by product**
As detailed in note 21, approximately 33% (2019: 30%) of the Group's insurance business is reinsured to external counterparties and the credit ratings of material counterparties are detailed in the reinsurance section below.

Of the insurance business which are not reinsured, the most material blocks of business are the annuities sold by UW and ULP for which specific risks are disclosed and sensitivities provided in the annuity products section below and the non-profit business written by ULP. The Group also has material protection business for which the principal risks are disclosed below however we note that a reasonable change in any of the underlying assumptions used in determining the liability would not lead to a material change in the valuation of the liability.

As detailed in the insurance contracts accounting policy, the deposit administration business is classified as insurance business as no market value adjustment is applied on the death of a policyholder. In respect of this surplus we note that due to adequate surplus in the unallocated divisible surplus any potential impacts to equity or profit and loss are immaterial. Impacts on this product are limited to non-unit reserves which reflect fees less expenses and as such this business is not materially sensitive to changes in underlying assumptions.

**Objectives and policies for mitigating insurance risk**
The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. In addition to this, mortality, longevity and morbidity risks are in certain circumstances mitigated by the use of reinsurance. The profitability of the run-off of the Group's long-term insurance businesses depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks. It is therefore necessary for the Board to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination.

Prior to or at inception, short-term insurance contracts under which the Group accepts significant risk are subjected to an underwriting process. This aims not only to ensure that business is correctly priced, but also to ensure that risk concentrations are identified and exposure limits are not breached. Where necessary, risk is transferred using reinsurance.

30 Risk management continued

**Valuation of non-life insurance contracts**
For non-life insurance contracts the Development Method is used where historical claims data is collected by paid and incurred date. This data is used to estimate the percentage or amount of completion needed to project all future claims incurred prior to the valuation date. "Completion factors" are estimated for each incurred month based on historical claim payment patterns. If large claims data is available with paid and incurred dates, the historical patterns may be modified to exclude the effect of these claims. Completion factors for the most recent months are often too volatile to use. Therefore, for the most recent months, completion patterns are reviewed and significant judgement is applied because of the substantial fluctuations in historical completion percentages for these immature months. The IBNR reserve is an assessment of future claims incurred prior to the valuation date and is based on historic triangulated claims data.

**Valuation interest rates**
For the annuity product and long-term disability claims in UW, the liability discount rates reflect the yields obtained on the segregated asset portfolios. The portfolios have individually defined investment guidelines including asset allocation strategies. The discount rates were further reduced by a default margin to make allowance for credit risk.

**Mortality and longevity rates**
Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, Company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity.

**Lapse rates**
The assumed rates for surrender and voluntary premium discontinuance in the participating business depend primarily on the length of time a policy has been in force. Withdrawal rates used in the valuation of unitised with-profit policies are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unitised with-profit contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

The following table details the impact to the Group if a 20% mass lapse were to occur:

| | 2020 | |
|---|---|---|
| | Profit before tax | Shareholder equity |
| 20% mass lapse | £1.9m | £1.9m |

**Policyholder options and guarantees**
Some of the Group's products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholders' discretion. These products are described below. Most unitised with-profit contracts give a guaranteed minimum payment on death. Some with-profit bonds pay a guaranteed minimum surrender value, expressed as a percentage of the original premium, on a specified anniversary or anniversaries of commencement. Annual bonuses, when added to unitised with-profit contracts, usually increase the guaranteed amount.

**Discretionary participating bonus rate**
The regular bonus rates, which primarily relate to unitised with-profits business within UPE, are determined by the UPE board in accordance with established procedures. Final bonuses are declared by these boards with the aim that payments at maturity or on surrender will equal the value of asset shares subject to smoothing. Unitised with-profit deferred annuities participate in profits only up to the date of retirement.

The UW deposit administration contracts contain a guaranteed rate of interest of up to 2.5% that varies by currency and reflects government bond yields, for a duration of maximum three years. The contracts also contain a DPF based on discretionary bonus rates declared by the Group, to the extent they may exceed the guaranteed rate. The Group targets a surplus funding level of between 5 and 10% and has an obligation to eventually pay to contract holders at least 85% of this surplus.

ULP's with-profits provisions exclude future final bonuses because these are not guaranteed. The excess of assets over liabilities in the with-profits funds shall be used to enhance the bonuses in these funds.

**Managing product risk**
The following sections give an assessment of the risks associated with the Group's main life assurance products and the ways in which these risks are managed.

**With-profit business (unitised)**
The Group operates a number of unitised with-profits funds in which the unitised with-profit policyholders benefit from a discretionary annual bonus (guaranteed once added in most cases) and a discretionary final bonus. The investment strategy of each unitised fund differs, but is broadly to invest in a mixture of fixed and variable rate income securities and equities in such proportions as is appropriate to the investment risk exposure of the fund and its capital resources. The bonuses are designed to distribute to policyholders a fair share of the return on the assets in the with-profit funds together with other elements of the experience of the fund. The shareholders are entitled to receive a percentage of the cost of bonuses declared. Unitised with-profit policies purchase notional units in a unitised with-profit fund. Benefit payments for unitised policies are then dependent on unit prices at the time of a claim, although charges may be applied. A unitised with-profit fund price is guaranteed not to fall and increases in line with any discretionary annual bonus payments over the course of one year.

**Protection**
These contracts are typically secured by the payment of a regular premium payable for a period of years providing benefits payable on certain events occurring within the period. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness. The main risk associated with this product is the claims experience and this risk is managed through the initial pricing of the policy (based on actuarial principles), the use of reinsurance, geographical diversity of products written and a clear process for administering claims.

**Annuity products**
The Group has books of annuity business in UW and ULP for which the principal risk is longevity. Benchmarking is used to maintain provisions in line with up-to-date developments in life expectancy for the types of lives covered. Assets are closely matched to the liabilities to hedge the Group against interest rate risk for this class of business. The key sensitivity for this class of business is to longevity assumptions. An increase in future mortality improvements of 1% combined with a 10% reduction in the mortality base tables has been estimated to increase the insurance contract liabilities by £71.0m.

**Credit risk**
Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group has low tolerance for any credit risk exposure and maintains its assets in institutions and instruments with strong credit ratings. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Investment guidelines are subject to approval by the Investment Committee and Board of directors. There are two principal sources of credit risk for the Group: – Credit risk which results from direct investment activities, including investments in fixed and variable rate income securities, derivatives, collective investment schemes, hedge funds and the placing of cash deposits; and – Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance, and the lending of securities. Credit risk is managed by the monitoring of Group exposures to individual counterparties and by appropriate credit risk diversification. The Group manages the level of credit risk it accepts through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives. The credit risk borne by the owners on unitised with-profit policies is dependent on the extent to which the underlying insurance fund is relying on owners' support.

**Credit risk concentrations**
Concentration of credit risk might exist where the Group has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

The Investment Committee for each business is responsible for setting an Investment Policy that formalises risk limits around counterparty exposue and the types of investments that the business can invest in, to prevent undue concentration or credit risk. In the Isle of Man business a minimum of five deposit takers must be used at any one point in time and no single deposit can exceed £10 million. Moreover, the minimum acceptable credit rating for all counterparties as set out in the Investment Policy is Standard & Poor's BBB or Moody's Baa. In Ireland, all bonds must be investment grade, and no more than 5% of each rating can be invested in non-government bonds. All risk limits are monitored through the respective Investment Committees to ensure adherence with those limits. In Guernsey the Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to differently rated debt securities. The Investment Committee carries out monitoring of adherence to the guidelines. In the UK ULP manages credit risk by setting and monitoring appropriate risk appetite limits, monitoring the amount of economic capital it holds, asset optimisation and collateral arrangements. The Group is also exposed to concentration risk with outsourced service providers. This is due to the nature of the outsourced services market. The Group operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees and measured through stress and scenario testing.

The Group has actively monitored its credit risk exposures through the year with specific consideration for the impact of Covid-19 on counterparty default risk and credit spreads. Covid-19 has not had a material impact the on credit risk exposures of the Group.

The maximum exposure to credit risk before any credit enhancements at 31 December 2020 and 31 December 2019 is the carrying amount of the financial assets detailed in the maturity analysis table above.

**Reinsurance**
The Group is exposed to credit risk as a result of insurance risk transfer contracts with reinsurers. This also gives rise to concentration of risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. At both 2020 and 2019 year-end positions, the Group's material reinsurance counterparties have a credit rating of either AA- or A-.

**Shareholder backed assets**
In respect of the shareholder backed debt securities detailed in note 16, 87.3% of the portfolio is A rated or above, with 12.4% BBB rated and 0.3% non-rated. The ratings are sourced from Bloomberg composite which provides an amalgamation of ratings from S&P, Fitch and DBRS.

These debt securities are invested in government and corporate bonds with 52.4% invested in government bonds and 47.6% invested in corporate bonds.

The Group is not exposed to material credit risk in respect of the shareholder cash balance, cash balances are held with counterparties with a credit rating of BBB or above.

**Other receivables**
The Group is exposed to credit risk in respect of the Italian withholding tax asset detailed in note 16. The sovereign credit rating of Italy with S&P is BBB as at the date of these consolidated financial statements.

There is no significant credit risk on the other receivables balance of the Group.

**Fair value disclosures**
Fair value, as defined by IFRS 13 "Fair Value Measurement", is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with IFRS 13, the Group has applied the fair value hierarchy classification to all assets and liabilities measured at fair value. This requires the Group to classify such assets and liabilities according to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments:

- Level 1: Fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.
- Level 3: Includes valuations for assets that are not based on observable market data (unobservable inputs) or where only stale prices are available.

Investments are transferred from Level 1 to Level 2 and vice versa when dealing/pricing frequencies change. Transfers into Level 3 occur when an equity or collective investment scheme is suspended or enters liquidation, as notified by its fund administrator or investment manager. Transfers out of Level 3 occur when such suspension is lifted, as notified by the fund administrator or investment manager. There were no significant transfers between Level 1, 2 and 3 during the current and prior year.

## 30 Risk management continued

A proportion of the assets are valued at a fair value derived using unobservable Level 3 inputs. The majority of these are valued using valuations obtained from external parties which are reviewed internally to ensure they are appropriate. The Group has limited access to the key assumptions and data underlying these valuations and most of these investments are in hedge funds, collective investment schemes, suspended funds or funds in liquidation; therefore no sensitivity analysis has been presented. The Level 3 assets shown below are primarily unit-linked assets backing policyholder liabilities, and as such there is minimal exposure of the Group to changes in the valuation of these assets.

| 31 December 2020 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|---|---|---|---|
| Assets | | | | |
| – Financial assets held at fair value to cover linked liabilities | 35,089,618 | 21,370,999 | 13,451,131 | 267,488 |
| – Debt securities – fair value through profit and loss | 1,697,546 | 1,139,559 | 557,015 | 972 |
| – Debt securities – fair value through other comprehensive income | 278,396 | 278,396 | – | – |
| – Other investments at fair value | 291,648 | 143,640 | 143,469 | 4,539 |
| | 37,357,208 | 22,932,594 | 14,151,615 | 272,999 |
| Total assets not at fair value | 2,354,474 | | | |
| Total assets per Statement of Financial Position | 39,711,682 | | | |

| 31 December 2019 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|---|---|---|---|
| Assets | | | | |
| – Financial assets held at fair value to cover linked liabilities | 28,902,718 | 15,637,803 | 13,040,439 | 224,476 |
| – Debt securities – fair value through profit and loss | 1,537,124 | 545,044 | 986,663 | 5,417 |
| – Debt securities – fair value through other comprehensive income | 278,827 | 278,827 | – | – |
| – Other investments at fair value | 163,813 | 6,124 | 157,689 | – |
| | 30,882,482 | 16,467,798 | 14,184,791 | 229,893 |
| Total assets not at fair value | 1,790,754 | | | |
| Total assets per Statement of Financial Position | 32,673,236 | | | |

A reconciliation of the opening to closing balances in Level 3 fair value hierarchy is shown in the table below:

| | Financial assets held at fair value through profit and loss |
|---|---|
| **Balance at 1 January 2019** | 249,681 |
| Additions on subsidiary acquisition | 7,011 |
| Transfers into Level 3 | 10,258 |
| Transfers out of Level 3 | (18) |
| Total gains or losses: | |
| – In profit or loss | (14,349) |
| – In policyholder liabilities | 3,327 |
| Disposals | (13,755) |
| Foreign exchange movements | (12,262) |
| **Balance at 31 December 2019** | 229,893 |
| Transfers into Level 3 | 77,331 |
| Transfers out of Level 3 | (182) |
| Total gains or losses: | |
| – In profit or loss | (13,652) |
| – In policyholder liabilities | (21,208) |
| Disposals | (10,092) |
| Foreign exchange movements | 10,909 |
| **Balance at 31 December 2020** | 272,999 |

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred. The Group aims to minimise undue exposure to Level 3 assets, and regularly reviews the composition of the portfolio including Level 3 assets through the Investment Committee. Restrictions and criteria are in place in Ireland and Guernsey to limit exposure to Level 3 assets, and in the Isle of Man has a general policy of no further investment into Level 3 assets.

### 31 Covid-19

The Covid-19 virus has spread to pandemic levels globally and has caused a period of economic recession and significant market uncertainty. The impacts of Covid-19 on the Group have been limited and management have mitigated these through:

- Maintaining client service standards. Client service standards are continuously monitored to ensure that remote working by staff does not negatively impact service standards.
- Solvency of the Group. Management continuously monitors the Group's solvency and is modelling stress scenarios as more data relating to Covid-19 becomes available.
- Measures taken to control Covid-19 on ensuring the safety of its staff, customers and partners.
- Business activity indicators including new business, client activity and lost business to ascertain if any assumptions from earlier dates may need to be revised.

The Group is subject to ongoing stress testing based on extreme market conditions and holds adequate capital and liquidity to withstand such conditions. The Group's international life insurance entities (Utmost Limited, Utmost PanEurope DAC and Utmost Worldwide Limited) have been assigned an Insurer Financial Strength ratings of 'A' from Fitch Ratings. Fitch's assessment of the Group's strength to pay its insurance obligations is driven by its strong capitalisation, low leverage and business profile. New business levels in 2020 have performed well, and surrender levels remain in line with expectations pre-Covid-19. At the date the financial statements were approved the Company's and Group's solvency and liquidity positions remain strong. The directors and management are continually monitoring the potential impacts on the Group, including its key financial metrics including the solvency coverage ratio.

### 32 Capital management

It is the Group's policy to maintain a strong capital base in order to:

- satisfy the requirements of its contract holders, creditors and regulators;
- maintain financial strength to support new business growth and create shareholder value; and
- match the profile of its assets and liabilities, taking account of the risks inherent in the business.

The Group's capital resources and capital requirements are regularly monitored by the Board. The Group's policy is to at all times hold the higher of:

- the Group's internal assessment of the capital required; and
- the capital requirement of the relevant supervisory body.

The Group's policy for UGL and for each of Utmost Life and Pensions and Utmost PanEurope DAC is to maintain a Solvency Coverage Ratio (representing the ratio of Own Funds/Solvency Capital Requirement) of at least 135% at all times, and at least 150% immediately after the payment of a dividend. For Utmost Limited and Utmost Worldwide the corresponding ratios are 125% and 155% at all times and 150% and 170% immediately after the payment of a dividend. The Group monitors capital on a Solvency II basis, and in accordance with local regulatory requirements. The Group as a whole is subject to full group regulation by the PRA.

Entities within the Group which are regulated as at 31 December 2020 are as follows:

- Utmost Limited, Utmost Trustees Solutions Limited and Utmost Administration Limited are regulated by the Isle of Man Financial Services Authority.
- Utmost PanEurope DAC is regulated by the Central Bank of Ireland.
- Utmost Bermuda Limited is regulated by the Bermudian Monetary Authority.
- Utmost Worldwide Limited and Utmost Portfolio Management Limited are regulated by the Guernsey Financial Services Commission.
- Utmost Life and Pensions Limited and the Equitable Life Assurance Society are regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

The local branches of Utmost Worldwide Limited are subject to local regulation in the country in which they operate.

There has been no material change in the Group's management of capital during the year and the Group has capital in excess of the minimum solvency requirement at the Statement of Financial Position date.

### 33 Immediate parent and ultimate controlling party

The immediate parent company is Utmost Holdings (Guernsey) Limited, a company incorporated in Guernsey.

The ultimate parent company which maintains a majority controlling interest in the Group is recognised by the directors as OCM Utmost Holdings Ltd (formerly OCM LCCG2 Holdings Ltd), a Cayman Island incorporated entity. OCM Utmost Holdings Ltd, is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management L.P., a subsidiary of the ultimate controlling party Oaktree Capital Group LLC.

### 34 Related party transactions

**Transactions with key management personnel**

The following disclosures are in accordance with the provisions of IAS 24 Related Party Disclosures, in respect of the compensation of Key Management Personnel. Under IAS 24, Key Management Personnel are defined as comprising executive and non-executive directors together with senior executive officers.

| | Directors' salaries & short-term benefits £'000 | Post-employment benefits £'000 | Total £'000 |
|---|---|---|---|
| 2020 | 2,225 | 200 | 2,425 |
| **2019** | 1,800 | 200 | 2,000 |

**Transactions with related parties**

On 9 November 2020 the Company issued £300,000k of Tier 2 loan notes, listed on The International Stock Exchange, to its immediate parent company Utmost Holdings (Guernsey) Limited as detailed in note 24.

The Group has holdings in the European Senior Loan Fund of a related party Oaktree as detailed in note 15. As detailed in the Corporate Governance Report, the controlling party of the Group is owned by a number of funds managed by Oaktree Capital Group LLC.

## 35 Directors' and Secretary's interests

At 31 December 2020 and 31 December 2019 the Secretary had no beneficial interests in the shares of any Group company. The directors' interests in the Company's parent company held directly, through personal investment vehicles and Family Trusts are detailed below:

| 31 December 2020 | Paul Thompson | Ian Maidens |
|---|---|---|
| Utmost Topco Limited – C ordinary shares of £1 each | 2,750 | 2,750 |
| Utmost Topco Limited – D ordinary shares of £1 each | 5,000 | 5,000 |
| Utmost Topco Limited – Non-voting S ordinary shares of £1 each | 50 | 50 |
| Utmost Topco Limited – Non-voting GBP preference shares of £1 each | 30,014,243 | 30,014,243 |

| 31 December 2019 | Paul Thompson | Ian Maidens |
|---|---|---|
| Utmost Topco Limited – A ordinary shares of £1 each | 746 | 746 |
| Utmost Topco Limited – B ordinary shares of £1 each | 8,125 | 8,125 |
| UIGH Limited – Non-voting GBP preference shares of £0.0000001 each | 1,160,803 | 1,160,803 |
| UIGH Limited – Non-voting EUR preference shares of €0.0000001 each | 1,543,804 | 1,543,804 |
| UIGH Limited – Non-voting S ordinary shares of £1 each | 50 | 50 |
| Life Company Consolidation Group (No 1) Ltd – A ordinary shares of £1 each | 746 | 746 |
| Life Company Consolidation Group (No 1) Ltd – B ordinary shares of £1 each | 8,125 | 8,125 |
| Utmost UK Group Holdings Ltd – Non-voting GBP preference shares of £0.000001 each | 721,212 | 721,212 |
| Utmost UK Group Holdings Ltd – Non-voting S ordinary shares of £1 each | 50 | 50 |

## 36 Reconciliation of liabilities arising from financing activities

| | Borrowings £'000 |
|---|---|
| **2020** | |
| As at 1 January | 161,323 |
| Cash flows: | |
| Tier 2 loan issued in the year | 300,000 |
| Repayments made in the year | (161,323) |
| Change in interest accrual | 2,564 |
| Foreign exchange adjustments | – |
| As at 31 December (note 24) | 302,564 |
| **2019** | |
| As at 1 January | 120,977 |
| Cash flows: | |
| Borrowings drawn down in the year | 81,930 |
| Repayments made in the year | (40,263) |
| Change in interest accrual | (831) |
| Foreign exchange adjustments | (490) |
| As at 31 December (note 24) | 161,323 |

## 37 Events after the year-end date

On 1 April 2021 the Group announced the proposed acquisition of Quilter International, a highly complementary business to the existing Utmost International businesses. The acquisition continues the expansion of the Utmost International business and further strengthens its global footprint. Total cash consideration of £483m is expected to be paid to Quilter assuming a completion date on the transaction of 31 December 2021. A gain on bargain purchase is expected to be recognised in the financial statements for the year ending 31 December 2021, however due to completion accounting still being finalised at the date of signing these financial statements the figure is not available yet.

On 25 March 2021 the Company paid a cash dividend of £35m and on 13 May 2021 paid a further cash dividend of £9m to its immediate parent company Utmost Holdings (Guernsey) Limited.

# Company Financial Statements

For the year ended 31 December 2020

## Company Statement of Comprehensive Income

For the year ended 31 December 2020

| | Note | 2020 £'000 | 2019* £'000 |
|---|---|---|---|
| **Investment income** | | | |
| Change in fair value of subsidiaries | 3 | **(69,124)** | – |
| Dividends received | 4 | **171,186** | – |
| | | **102,062** | – |
| **Expenses** | | | |
| Interest expense | 5 | **(2,564)** | – |
| **Profit for the year before tax** | | **99,498** | – |
| Tax credit/(charge) | 6 | **487** | – |
| **Profit for the year after interest and tax** | | **99,985** | – |

* As noted in the basis of preparation due to the Company being dormant, the 2019 comparative figures presented are unaudited.

Income and expenses for the year derive wholly from continuing operations. The notes on pages 107 to 109 form an integral part of these financial statements.

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 70 to 76.

# Company Statement of Financial Position

As at 31 December 2020

| | Note | 2020 £'000 | 2019* £'000 |
|---|---|---|---|
| **Assets** | | | |
| Investment in subsidiaries | 3 | 1,465,501 | – |
| Cash and cash equivalents | | 35,000 | – |
| Other assets | | 487 | – |
| **Total assets** | | 1,500,988 | – |
| **Liabilities** | | | |
| Tier 2 loan notes issued to a related party | 5 | 302,564 | – |
| **Total liabilities** | | 302,564 | – |
| **Equity** | | | |
| Called up share capital presented as equity | 7 | 100,000 | – |
| Merger relief reserve | 7 | 155,910 | – |
| Retained earnings | | 942,514 | – |
| **Total equity** | | 1,198,424 | – |
| **Total equity and liabilities** | | 1,500,988 | – |

* As noted in the basis of preparation due to the Company being dormant, the 2019 comparative figures presented are unaudited.

The notes on pages 107 to 109 form an integral part of these financial statements.

The financial statements on pages 103 to 109 were approved and authorised for issue by the Board of Directors on 18 May 2021 and signed on its behalf by:

**Paul Thompson**
Director
18 May 2021

**Ian Maidens**
Director
18 May 2021

# Company Statement of Changes in Equity

For the year ended 31 December 2020

| | Called up share capital presented as equity £'000 | Merger relief reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance as at 1 January 2019*** | – | – | – | – |
| Profit and total comprehensive income for the year | – | – | – | – |
| Shares issued during the year | – | – | – | – |
| **Balance as at 31 December 2019** | – | – | – | – |
| Profit and total comprehensive income for the year | – | – | 99,985 | 99,985 |
| Issue of share capital | 1,206,548 | 155,910 | – | 1,362,458 |
| Share capital reduction | (1,106,548) | – | 1,106,548 | – |
| Dividends paid | – | – | (264,019) | (264,019) |
| **Balance as at 31 December 2020** | 100,000 | 155,910 | 942,514 | 1,198,424 |

* As noted in the basis of preparation due to the Company being dormant, the 2019 comparative figures presented are unaudited.

The notes on pages 107 to 109 form an integral part of these financial statements.

# Company Statement of Cash Flows

For the year ended 31 December 2020

| | Note | 2020 £'000 | 2019* £'000 |
|---|---|---|---|
| **Net cash flows from operating activities** | 8 | 59,000 | – |
| | | | |
| **Cash flows from investing activities** | | | |
| **Net cash used in investing activities** | | – | – |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (24,000) | – |
| Net cash flows from financing activities | | (24,000) | – |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 35,000 | – |
| Cash and cash equivalents at the beginning of the year | | – | – |
| **Cash and cash equivalents at the end of the year** | | 35,000 | – |

* As noted in the basis of preparation due to the Company being dormant, the 2019 comparative figures presented are unaudited.

The notes on pages 107 to 109 form an integral part of these financial statements.

# Notes to the Company Financial Statements

For the year ended 31 December 2020

### 1 Significant Accounting Policies

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 70 to 76 The notes identified on pages 107 to 109 are an integral part of these separate financial statements.

### 2 Critical accounting estimates and judgements

**Critical accounting estimates**

Investment in subsidiary undertakings

Investments in subsidiaries are measured at fair value through profit and loss and classified as a Level 3 asset in the fair value hierarchy. The determination of the fair value is a judgmental area and inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the assumptions that management consider market participants would use in pricing the asset or liability in the event of selling the business. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

The Group calculates the fair value of its investment in subsidiary in non-insurance companies on an IFRS net asset value basis. IFRS net assets are used in determining the fair value of non-insurance companies given the simplistic nature of the balances in these companies (other than investment in subsidiaries) and that a substantial amount of the net asset value of these non-insurance companies relates to the fair value of investments in insurance company subsidiaries. Management therefore concludes that the net asset value provides a materially appropriate approximation for the fair value.

The methodology for the determination of fair value for insurance company subsidiaries and the basis of this determination as the value a market participant would pay is detailed in note 3.

### 3 Investment in subsidiary undertakings

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | – | – |
| Acquisitions and capital contributions during the year | 1,534,625 | – |
| At 31 December | 1,534,625 | – |
| **Revaluation** | | |
| At 1 January | – | – |
| Movement in fair value | (69,124) | – |
| At 31 December | (69,124) | – |
| Fair value at 31 December | 1,465,501 | – |

The Group calculates the fair value of its investment in subsidiary in non-insurance companies on an IFRS net asset value basis. For insurance company subsidiaries the fair value approach applied by the Company is to measure the "economic value" of the underlying based on a Solvency II assessment of the value of the business, adjusted for other components where management view that Solvency II doesn't reflect the commercial value of the business. One such component is to adjust the "risk margin" (an amount required under Solvency II rules to represent the potential cost of transferring insurance obligations to a third party should an insurer fail), calculated using a cost of capital set to 6% under regulatory rules. For determining fair value in accordance with IFRS, management have applied a 3% cost of capital (2019: 3%) in calculating the risk margin, to more appropriately reflect management's view of the fair value a market participant would pay. The impact on the fair value of investment in subsidiaries of a 1% change in the cost of capital would be £47,368k (2019: nil).

A further component of economic value relates to the value of in-force business ("VIF") outside the contract boundary, the point which determines which cash flows should be included for calculating Solvency II capital. As at 31 December 2020, the value of VIF outside the contract boundary is £101,181k (2019: nil).

Fair value losses of £69,124k are recognised in the Statement of Comprehensive Income in the year ended 31 December 2020 (2019: nil) in respect of remeasuring the Company's investment in subsidiaries at fair value.

The fair value of investment in subsidiaries is calculated in accordance with the internal definition of SII EV as disclosed on page 110 in the Alternative Performance Measures section, adjusted to reflect the fact that our internal view of SII EV adds back the full risk margin (set at 6% as detailed above) instead of the 3% cost of capital used for IFRS reporting. The fair value of life insurance companies is inherently uncertain and the valuation is dependent upon the prevailing market, economic and other conditions at the valuation date. The fair value of the investments in subsidiaries undertakings balance is Level 3 in the fair value hierarchy. There were no transfers between Levels 1, 2 and 3 in 2020 and 2019.

In determining fair value management have applied a valuation multiple of 100% of own funds. The valuation multiples used in market valuations and acquisition prices of life insurance companies vary depending on a number of factors including the location of the subsidiary and the type of business but are generally in the range of 80% to 120%. The impact on the fair value of investment in subsidiaries of a 5% change in the valuation multiple would be £60,904k (2019: nil).

### 4 Dividends received
During the year the Company received dividends of £171,186k from its subsidiaries (2019: nil).

### 5 Tier 2 loan notes issued to a related party

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Tier 2 loan notes principal | 300,000 | – |
| Tier 2 loan notes accrued interest | 2,564 | – |
| | 302,564 | – |
| Payable within one year | 2,564 | – |
| Payable after more than one year | 300,000 | – |
| | 302,564 | – |

On 9 November 2020, the Company issued £300,000k of Tier 2 loan notes to its parent company Utmost Holdings (Guernsey) Limited. The £300,000k loan notes, which mature on 9 November 2030, qualify as Tier 2 capital under Solvency II rules. Interest is accrued at 6% per annum and is paid bi-annually. The fair value of the Tier 2 loan notes is considered to be the same as their carrying value.

### 6 Taxation

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Current tax credit | 487 | – |

The tax charge per the Statement of Comprehensive Income can be reconciled to the taxation on profits at the standard UK income tax rate as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation | 99,498 | – |
| Tax at the UK rate of 19% (2019: 19%) | (18,905) | – |
| Difference due to the effects of non-taxable income | 19,392 | – |
| Tax credit for the financial year | 487 | – |

### 7 Called up share capital presented as equity/share premium
The share capital of the Company is the same as that of the Group in note 27 in the notes to the consolidated financial statements. The merger relief reserve arose as the difference between the nominal value of shares issued and the fair value acquired from the acquisition of related parties as part of the Group reorganisation.

### 8 Cash flow statement

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Profit before taxation | 99,498 | – |
| **Non-cash movements** | | |
| Net change in fair value of subsidiaries | 69,124 | – |
| Dividend income | (112,186) | – |
| **Change in working capital** | | |
| Change in other working capital items | 2,564 | – |
| **Net cash flows used in operating activities** | 59,000 | – |

### 9 Risk management
Risk management in the context of the Group is considered in the Group consolidated financial statements, note 30. The business of the Company is managing its investments in subsidiaries. Its risks are considered to be the same as those in the operations themselves, and full details of the major risks and the Group's approach to managing these are given in the Group consolidated financial statements. There are no material assets or liabilities other than investment in subsidiaries which require further risk management by the Company specifically.

### 10 Related party transactions
**Transactions with key management personnel**
The Directors and key management of the Company are considered to be the same as for the Group. Information on both the Company and Group key management compensation can be found in notes 34 and 35 in the notes to the consolidated financial statements.

**Transactions with related parties**
Transactions between the Company and related parties are detailed in note 34 to the consolidated financial statements.

### 11 Events after the year-end date
The events after the year-end date of the Company are the same as those of the Group in note 37 in the notes to the consolidated financial statements.

# Alternative Performance Measures

Within the annual report various alternative performance measures ("APMs") are used in order to analyse the performance of the Group over the reporting period. APMs represent performance indicators/metrics which are not directly shown in the financial statements prepared in accordance with the applicable financial reporting framework (International Financial Reporting Standards as adopted by the EU – "IFRSs" – for the Group for the year ended 31 December 2020), but are derived from the financial statements usually by including or excluding certain items. APMs are considered to provide a more relevant and informative measure for stakeholders in assessing the performance of the Group. The APMs presented in these financial statements may change over time as management deem necessary in order to appropriately monitor and report the Group's performance.

The following section includes a definition of each APM and additional information to enable the stakeholders to understand how the APM differs from, and where possible reconciles to, information presented in the IFRS Financial Statements.

### Assets under Administration ("AUA")

The Group's definition of AUA includes assets administered by the Group on behalf of clients. AUA provides a measure of the scale of the Group, and a sense of the Group's potential earnings capability through the annual management charges ("AMCs") which are partly calculated as a percentage of the value of assets under administration. The Group's AUA primarily includes assets held to cover linked liabilities, in addition to reinsurance assets held to back policyholder liabilities; the former includes assets held under the Modified Coinsurance Account (as detailed in note 14 to the financial statements), and the latter includes assets backing with-profits business in UPE and UL which are fully reinsured with Aviva Life and Pensions UK Limited. A reconciliation of the Group's AUA metric to the consolidated IFRS Statement of Financial Position is as follows:

| | 2020<br>£'m | 2019<br>£'m |
|---|---|---|
| AUA | 36,691 | 30,086 |
| Financial assets at fair value held to cover linked liabilities | 35,090 | 28,903 |
| Reinsurers' share of insurance contract liabilities | 1,234 | 818 |
| Other investments backing deposit administration business | 367 | 365 |
| Total (as per Statement of Financial Position) | 36,691 | 30,086 |

The £36.7bn AUA at end 2020 compares favourably to the YE 2019 figure of £30.1bn The £6.6bn increase to the 2019 figure represents the additional of ELAS on 1 January 2020 as well as investment returns made by the Group, albeit largely attributable to customers of unit-linked products (approximately 96% of the AUA represent assets backing unit-linked liabilities) and accordingly this investment return is matched by an increase in the unit-linked liability.

### Operating profit

The Group's internal definition of operating profit is considered by management to provide a better view of the Group's underlying quality of earnings compared to the IFRS profit before interest and tax (PBIT) figure. The items excluded from operating profit, but included in IFRS PBIT, are generally related to merger and acquisition (M&A) activity and considered to be more strategic in nature than representing the underlying operating performance of the businesses. These items include the following:

**Gains on bargain purchases/related party acquisition:**
A gain on bargain purchase is recognised when the fair value of the acquired assets and liabilities exceeds the consideration paid in the business combination, representing 'negative goodwill' which is credited directly to the Statement of Comprehensive Income. These gains represent one-off benefits to IFRS PBIT, and as such the Group looks to exclude these from operating profit to provide a better view of underlying performance.

**Amortisation, depreciation and impairments/write-offs:**
Operating profit also excludes the amortisation charge and any impairments relating to acquired value of in-force business (AVIF), which are not considered part of underlying operating performance, and depreciation of tangible assets.

**Expenses incurred relating to M&A activity:**
Certain expenses are incurred directly in relation to the acquisition activity, including inter alia due diligence fees and associated professional fees, and taxes associated with M&A activity (stamp duty, for example).

**Non-recurring items:**
Non-recurring items relate to provisions or assumption changes which are not expected to recur in future periods, and as such are excluded from operating profit to provide a more reflective view of quality of earnings

A reconciliation between the Group's operating profit and IFRS PBIT for 2020 and 2019 is shown below:

| | 2020<br>£'m | 2019<br>£'m |
|---|---|---|
| IFRS PBIT[1] | 113 | 191 |
| Gain on bargain purchase | (86) | (193) |
| Amortisation of AVIF & depreciation | 58 | 64 |
| Non-recurring items | – | 25 |
| Group Operating Profit | 85 | 87 |

1. As per Statement of Comprehensive Income.

## New Business Annual Premium Equivalent ("APE")

APE represents an industry-recognised sales metric used to allow comparisons of new business written over the year. Management monitor APE on a monthly basis across each business to align with the strategic pillar of growing the business organically in addition to by acquisition. The Group calculates APE in line with industry norm, which is as the value of regular premiums written in the year plus 10% of any new single premiums written. Whilst this metric is not directly reconcilable to the IFRS financial statements (as the split between single premiums and regular premiums is not shown) the majority of the Group's single premiums are written as investment contracts through the Utmost Wealth Solutions brand, and most of the regular premiums are written as insurance contracts through the Utmost Corporate Solutions brand.

## Value of New Business ("VNB")

Whereas APE provides a view of how much new business is written in the year, VNB provides a view of the profitability of new business to the Group. Management monitor the VNB margin (defined as VNB expressed as a percentage of APE) on a monthly basis across each business. VNB is calculated as the present value of future income streams arising from new business written in the year, after deducting costs associated with writing this new business. VNB is not directly reconcilable to any of the IFRS metrics presented in the financial statements, given it provides a view of the profitability of new business from an actuarial view as opposed to an accounting view.

## Solvency II Economic Value ("SII EV")

Whilst AUA provides a view of the scale of the business, SII EV provides an overall view of the underlying value of the Group attributable to shareholders. SII EV is considered by management to better reflect the commercial value of the Group than IFRS equity, as the latter excludes components of value such as the present value of future earnings arising from in-force business. SII EV represents a metric which better aligns with the traditional Embedded Value reporting which preceded the Solvency II regulations which became effective on 1 January 2016.

The Group's SII EV is calculated by adding the economic value of its insurance companies and its non-insurance companies. The Group's internal metric to calculate the value of its insurance companies is calculated as follows:

Solvency II Own Funds
*plus* Risk Margin
*plus* Value of In-force business outside Contract Boundaries
*plus* Foreseeable dividends
*less* Transitional Measures on Technical Provisions
*less* Intra-group balances which qualify as Tier 2 capital in the receiving entity.

The Group calculates the value of its non-insurance companies on an IFRS net asset value basis. Solvency II Own Funds is shown net of external debt. Other components of value are considered based on circumstances, to ensure that solvency capital on a regulatory basis is adjusted to a view of economic capital.

The Group's SII EV as at 31 December 2020 is £1,342m (2019: £1,296m). This APM can be reconciled to IFRS information as follows:

| | 2020 £'m |
|---|---|
| UGL fair value of investment in subsidiaries[1] | 1,466 |
| 50% of Risk Margin add back | 141 |
| UGL cash[1] | 35 |
| SII EV gross of debt | 1,642 |
| UGL Debt[1] | (300) |
| **SII EV net of debt** | 1,342 |

1. As per parent company Statement of Financial Position.

## Client retention

Client retention is broadly calculated as the proportion of clients at the start of the year, who remained as clients at the end of the year.

# Glossary

**AMCs**
Annual Management Charges

**APE**
Annual Premium Equivalent

**APMs**
Alternative Performance Measures

**AUA**
Assets under Administration

**AVIF**
Acquired Value of In-Force business

**Augura**
Augura Ireland DAC

**Board (the)**
Board of directors of Utmost Group Limited

**Company (the)**
Utmost Group Limited

**Covid-19**
Highly virulent disease caused by a new strain of coronavirus discovered in 2019

**DAC**
Designated Activity Company (Irish entities)

**EV**
Economic Value

**FCA**
Financial Conduct Authority

**Fitch**
Fitch Ratings Agency

**Founders**
Paul Thompson (Group CEO) and Ian Maidens (Group CFO)

**GEB**
Generali Employee Benefits

**GFSC**
Guernsey Financial Services Commission

**Group (the)**
Utmost Group Limited and its direct and indirect subsidiaries as detailed in note 4 to the consolidated financial statements

**HLC**
Harcourt Life Corporation Limited (formerly Harcourt Life Corporation DAC)

**HLI**
HLI Danube Limited (formerly HLI Danube DAC, Harcourt Life Ireland Limited and Harcourt Life Ireland DAC)

**HNW**
High-Net Worth

**HNWI**
High-Net Worth Individual – someone with a net worth of over US$1m excluding their primary residence

**Holdcos**
The indirect holding companies of the Group operating entities

**IFAs**
Independent Financial Advisers

**IoM**
Isle of Man

**IoM FSA**
Isle of Man Financial Services Authority

**KPIs**
Key Performance Indicators

**LCCG2**
Life Company Consolidation Group (No 2) Ltd, former name of Utmost Topco Limited

**MCR**
Minimum Capital Requirement

**Midco**
Utmost Midco Limited

**MNCs**
Multi-National Corporations

**NAV**
Net Asset Value

**Net Solvency Coverage Ratio**
Whilst there is no single Group regulator, solvency coverage is calculated and monitored at the Group level as Solvency II Own Funds/Solvency Capital Requirement

**Oaktree**
Oaktree Capital Group LLC, deemed the ultimate significant controller of the Utmost Group of Companies, and/or its subsidiaries as they relate to the Utmost Group

**Other Methods basis**
A reporting submission in accordance with specific information requested by a regulator

**Own Funds**
Own Funds represents the amount of capital available to cover the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") under Solvency II

**PRA**
Prudential Regulation Authority

**SCR**
Solvency Capital Requirement

**SII**
Solvency II

**SII EV**
Solvency II Economic Value

**Standard Formula**
Solvency II Standard Formula for calculation of the SII Balance Sheet

**Subsidiary board**
Board of directors of the operating businesses

**TOM**
Target Operating Model

**Topco**
Utmost Topco Limited

**UCS**
Utmost Corporate Solutions

**UHGL**
Utmost Holdings (Guernsey) Limited

**UHIL**
Utmost Holdings Ireland Limited

**UHL**
Union Heritage Limited (formerly Union Heritage DAC)

**UHNW**
Ultra-High Net Worth

**UHNWI**
Ultra-High Net Worth Individual – someone with a net worth of more than US$30m excluding their primary residence

**UI**
Utmost Ireland Limited (formerly Utmost Ireland DAC)

**UIGH1**
UIG Holdings (No 1) Limited

**UIGH2**
UIG Holdings (No 2) Limited

**UIGH3**
UIG Holdings (No 3) Limited

**UIGH**
Utmost International Group Holdings Limited

**UIGHL**
UIGH Limited

**UL**
Utmost Limited

**ULP**
Utmost Life and Pensions Limited

**ULPH**
Utmost Life and Pensions Holdings Limited

**UPE**
Utmost PanEurope DAC

**USIL**
Utmost Services Ireland Limited

**Utmost International**
Utmost International Group Holdings Limited and its direct and indirect subsidiaries as detailed in note 4 of the consolidated financial statements

**Utmost Ireland**
The Group of companies comprising Utmost Holdings Ireland Limited and its subsidiaries, including Utmost PanEurope DAC

**Utmost Isle of Man**
Utmost Holdings Isle of Man Limited and all its subsidiaries, including Utmost Limited and Utmost Services Limited

**Utmost Life and Pensions**
Utmost Life and Pensions Holdings Limited and all its subsidiaries, including Utmost Life and Pensions Limited and The Equitable Life Assurance Society

**UUGHL**
Utmost UK Group Holdings Limited

**UUGH2**
UUG Holdings (No 2) Limited

**UUGH3**
UUG Holdings (No 3) Limited

**UW**
Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited)

**UWS**
Utmost Wealth Solutions

**VIF**
Value of In-Force

**VNB**
Value of New Business

# Company information

**Directors**
Paul Thompson
Ian Maidens
Christopher Boehringer (appointed 1 October 2020)
Katherine Ralph (appointed 2 February 2021)

**Secretary**
Corinna Bridges

**Registered Office**
Saddlers' House
Fifth Floor
44 Gutter Lane
London
EC2V 6BR

**Registered in England & Wales**
Company Number
12268786

**Independent Auditor**
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

**Principal Bankers**
The Royal Bank of Scotland International Limited
36 St Andrew Square
Edinburgh
United Kingdom
EH2 2YB

## Forward-looking statements

The words: ‘intends’, ‘aims’, ‘projects’, ‘anticipates’, ‘plans’, ‘believes’, ‘expects’, ‘may’, ‘should’, ‘could’, ‘will’, ‘seeks’, ‘targets’, ‘continues’, ‘outlook’, ‘likely’, ‘goal’, ‘estimates’, ‘set to’, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Utmost Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For example, certain insurance risk disclosures are dependent on the Group’s choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that we have estimated. Other factors that could cause actual results to differ materially from those identified by forward-looking statements include, but are not limited to, domestic and global economic and business conditions, asset prices, market risks, changes in pricing and reserving assumptions, risks associated with third-party arrangements, government and regulatory policy in our operating jurisdictions, and the political, legal and economic effects of the UK’s vote to leave the European Union and the impact of natural and man-made catastrophic events (including the impact of Covid-19).

Utmost Group Limited undertakes no obligation to update any of the forward-looking statements contained within this Report or any other forward-looking statements it may publish. Nothing in the 2020 Annual Report and Accounts is or should be construed as a profit forecast or estimate.

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