ANNUAL REPORT 2021

utmost™
GROUP

Reassuringly different

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

CONTENTS

Utmost Group uses Alternative Performance Measures ("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 138.

References to "IFRS" figures used throughout the Strategic Report reflect the basis of preparation set out on page 90, 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 560,000 clients and £63.7bn of assets under administration ("AUA") across its businesses.

See where we operate on page 06

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 07

OUR STRATEGY IS

Formed along clear lines, our strategy is focused on four strategic pillars:

- Good client outcomes
- Growth through acquisitions
- Organic growth of Utmost International
- Optimised and efficient operations

How do we achieve our strategic goals? See page 20

SUSTAINABILITY

Sustainability is at the heart of the Group's strategy. Securing a brighter future for future generations requires urgent action to turn the tide on climate change. The Group believes it should be at the forefront of the response to climate change.

Read more about our Sustainability Strategy on page 25

OVERVIEW

Utmost Group provides insurance and savings solutions which assist our clients in securing their financial futures. Our mission is to build a brighter future for our clients by preserving their wealth. The provision of good customer outcomes remains front and centre of our strategy.

£63.7bn
AUA

560,000
Policyholders

1,500+
Employees

2
Core businesses:

utmost™ INTERNATIONAL

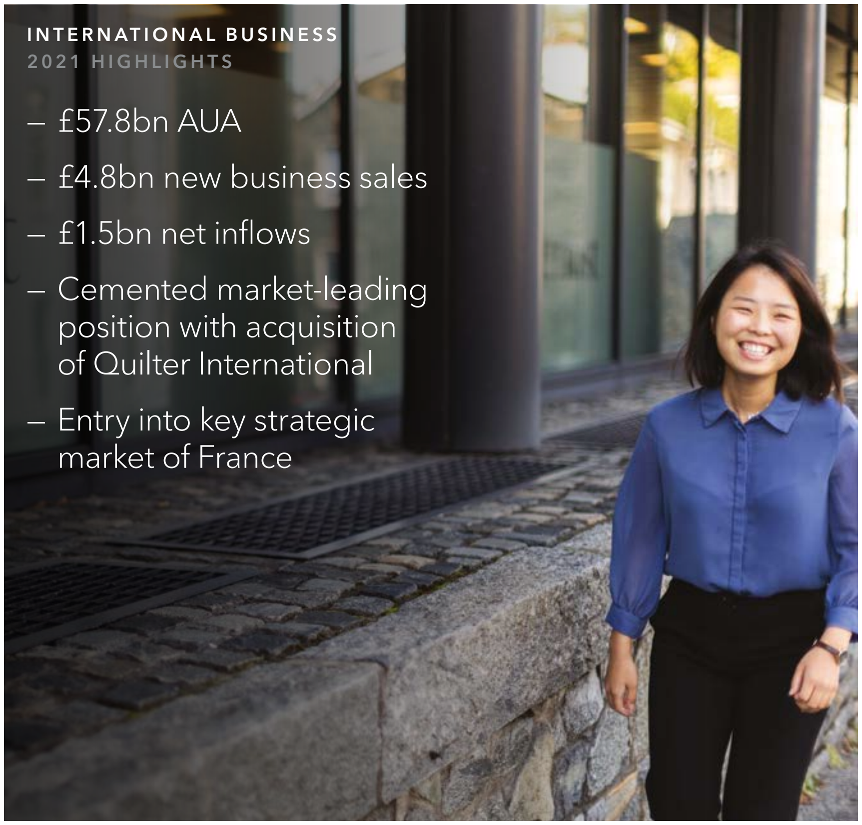
utmost™ LIFE AND PENSIONS

Signatory of:

PRI Principles for Responsible Investment

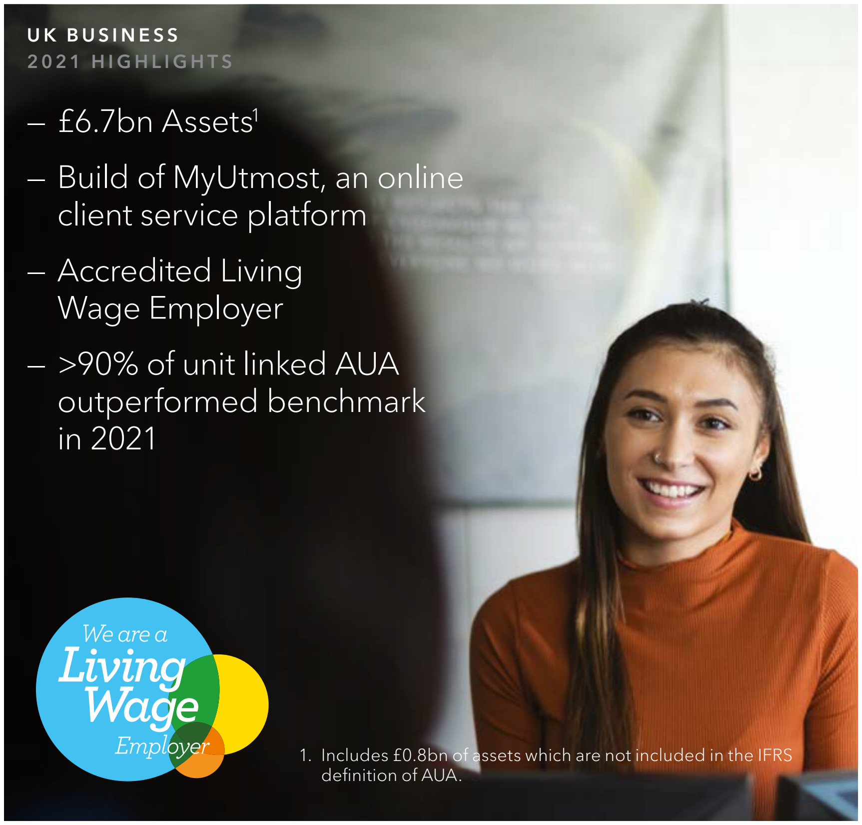
IIGCC The Institutional Investors Group on Climate Change

Biosphere Isle of Man



INTERNATIONAL BUSINESS
2021 HIGHLIGHTS

- £57.8bn AUA
- £4.8bn new business sales
- £1.5bn net inflows
- Cemented market-leading position with acquisition of Quilter International
- Entry into key strategic market of France



UK BUSINESS
2021 HIGHLIGHTS

- £6.7bn Assets[1]
- Build of MyUtmost, an online client service platform
- Accredited Living Wage Employer
- >90% of unit linked AUA outperformed benchmark in 2021

1. Includes £0.8bn of assets which are not included in the IFRS definition of AUA.

A SEMINAL YEAR FOR THE GROUP

2021 was a seminal year for the Group. The Group completed various milestones:

- **Quilter International Acquisition:** The Group completed the strategic acquisition of Quilter International in November 2021, cementing Utmost International's position as the leading global provider of insurance-based wealth solutions.
- **Tier 2 Bond:** Our inaugural Tier 2 bond issuance marked the Group's first public markets issuance. The Group raised £400m from high quality, institutional investors in September 2021.
Read more on page 11
- **Pathway to Net Zero:** The Group committed to reach net zero in its investments by 2050, with a 50% reduction by 2030. The Group became a signatory to the UN-supported Principles for Responsible Investment ("UN PRI"), demonstrating our commitment to running a sustainable business. The Group achieved a net zero carbon status in its operations, supported by the planting of a tree for each of our employees.
Read more on page 27
- **Board Appointments:** The appointment of two new independent directors to the Utmost Group Board in October 2021 reinforces the culture of strong governance and risk management as the Group embarks on the next phase of its development.
Read more on page 65

The Group has a significant opportunity to continue on its growth trajectory, focused on its four strategic pillars of good client outcomes, growth through acquisitions, the organic growth of Utmost International and optimised and efficient operations. The Group's strategic pillars are supported by our focus on sustainability which remains at the heart of our strategy.

2021

APRIL
Utmost Group announces proposed acquisition of **Quilter International**

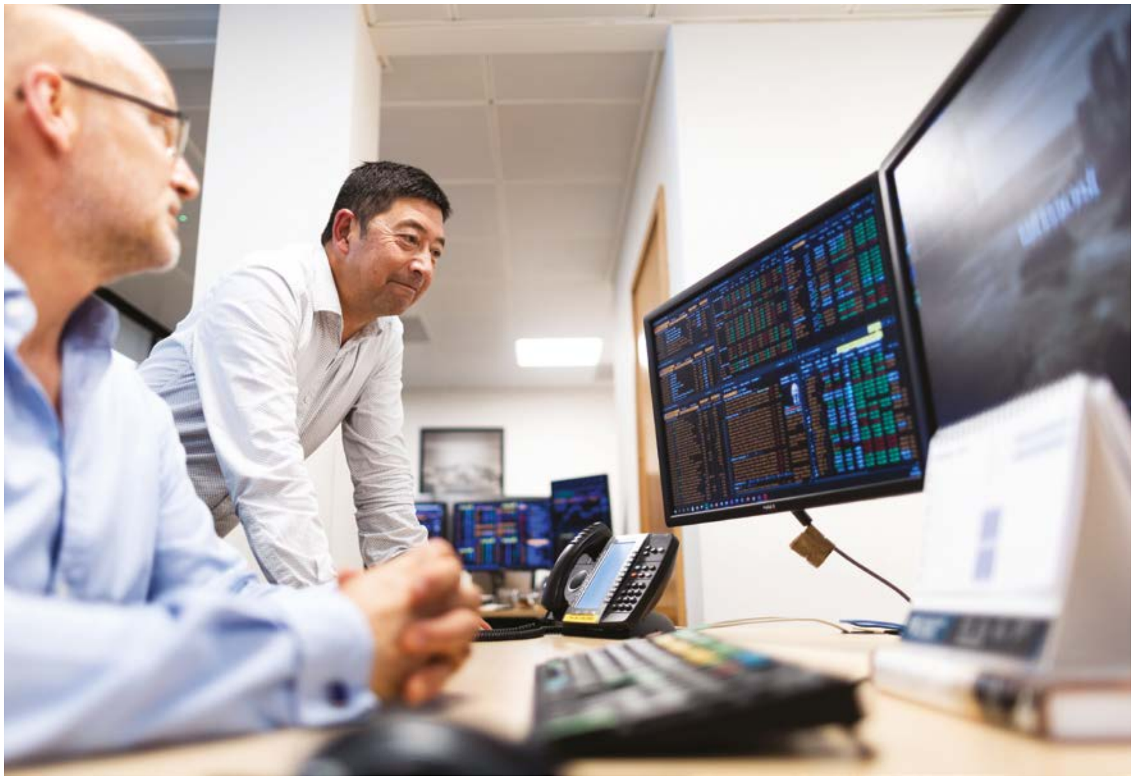
MAY
Utmost International launches new products for the **Finnish market**

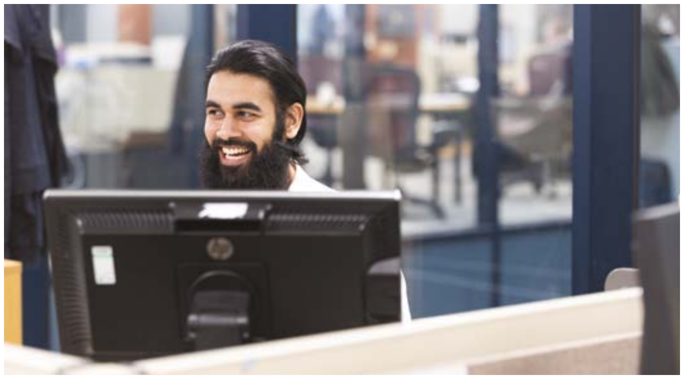
JULY
Pathway to Net Zero: **Committed to reach net zero in our investments by 2050**

SEPTEMBER
Utmost Group plc's inaugural **£400m Tier 2 bond issuance**

SEPTEMBER
Utmost Group offsets its 2020 carbon emissions from its operations, to achieve a **net zero carbon status in its operations**, and commits to do so in future years

OCTOBER
Market entry of Utmost International into **France**





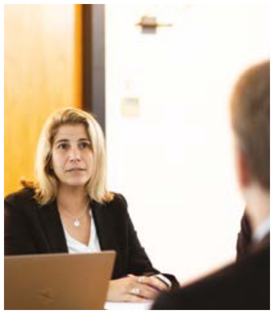
OCTOBER
Announcement of new **Utmost Group plc ("UGP") Board appointments**

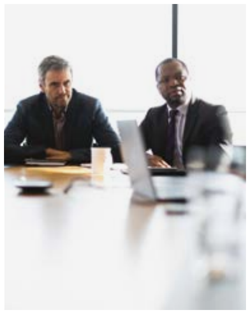
NOVEMBER
Completion of the **Quilter International** acquisition

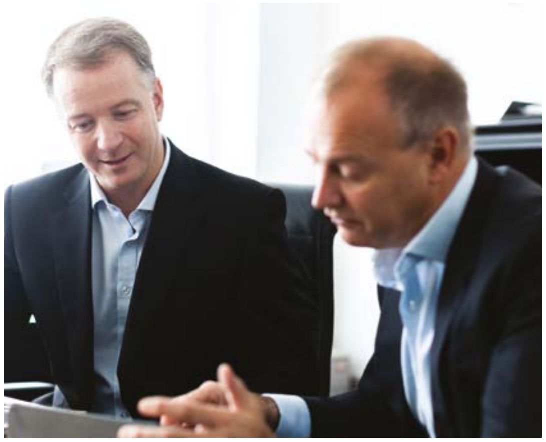
2022

JANUARY
Utmost Group becomes a signatory to the **UN PRI and the Institutional Investors Group on Climate Change ("IIGCC")**

JANUARY
UGP completes **£300m Restricted Tier 1 bond issuance**







A TRULY GLOBAL FOOTPRINT

CORE MARKETS

UK, Europe, the Middle East, Asia and Latin America

TOTAL EMPLOYEE HEADCOUNT

1,500+

Utmost Group
Subject to Group Supervision by the Prudential Regulation Authority ("PRA")

Utmost Life and Pensions
UK regulated insurance company

Utmost International
Insurance Companies in the Isle of Man, Ireland, Guernsey, Bermuda; Branches in Singapore, Hong Kong, Switzerland; Distribution Office in the Dubai International Financial Centre ("DIFC")

NUMBER OF EMPLOYEES

1 IRELAND 400	2 ISLE OF MAN 625	3 UK 250
4 GUERNSEY 150	5 HONG KONG 25	6 SINGAPORE 80
7 DIFC 12	8 EUROPE 7	

Utmost Group is a leading provider of insurance and savings solutions. Utmost Group provides modern, flexible solutions which assist our clients in securing their financial futures. The Group pursues attractive growth opportunities to achieve sustainable, strong returns for our investors. The Group is subject to Group Supervision by the PRA.

utmost GROUP

utmost INTERNATIONAL

utmost LIFE AND PENSIONS

utmost WEALTH SOLUTIONS

- £57.8bn AUA
- £4.8bn New Business Flows in 2021
- 210,000 Customers
- UK, Europe, the Middle East, Asia, Latin America

utmost CORPORATE SOLUTIONS

- £200m Annual Premiums
- 1.2m Lives Covered
- Global Corporations

utmost LIFE AND PENSIONS

- UK Closed Book Business
- £6.7bn Assets[1]
- 350,000 Customers
- UK-based Operations

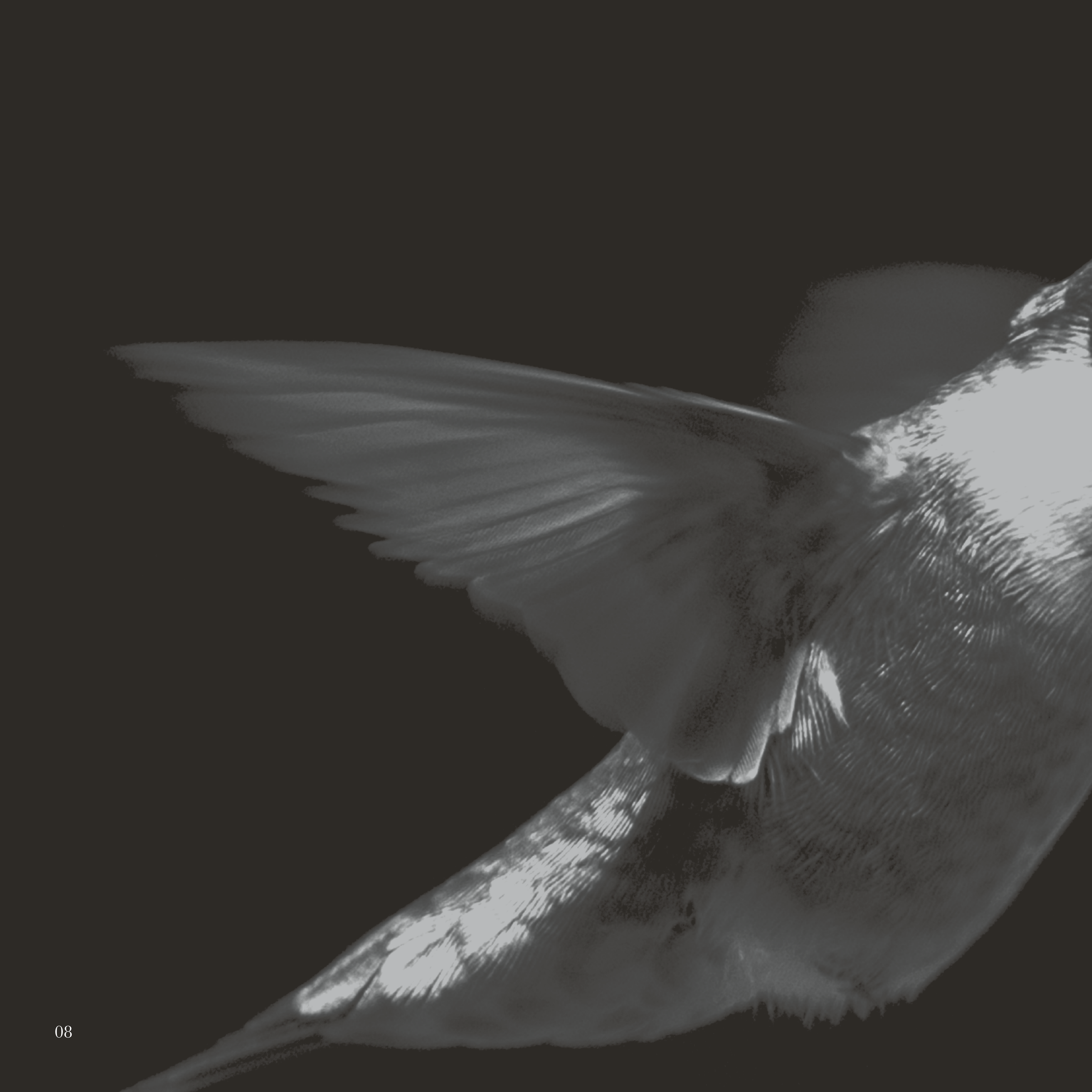
UTMOST INTERNATIONAL
is a leading international life assurance business which provides insurance-based wealth solutions to help preserve our clients' wealth and safeguard it for future generations. Utmost International operates across two businesses, described in more detail below.

UTMOST WEALTH SOLUTIONS ("UWS")
is the leading global provider of insurance-based wealth solutions. Its solutions are based on unit linked life assurance policies. Its clients are affluent and High-Net Worth ("HNW") individuals who are based in the UK, Europe, the Middle East, Asia and Latin America. UWS 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 ("UCS")
provides employee benefits 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 policyholder's assets due to its strong capital position and efficient operational management. ULP manages unit linked, annuity and with-profits policies. Its sector expertise, secure financial foundations and customer focus position it well for future M&A led growth.

1. Includes £0.8bn of assets which are not included in the IFRS definition of AUA.



Strategic Report

"Our strategy is informed by our focus on good client outcomes, our vigilant approach to risk and our scalable operational platform."

PAUL THOMPSON
GROUP CHIEF EXECUTIVE OFFICER

The Group sought to take advantage of the recovery in 2021 as the world emerged from the pandemic, while staying vigilant in a volatile environment marked by heightened geopolitical tensions.

As the results for 2021 demonstrate, every strategic decision we have made has contributed to our strong growth momentum. Our ethos of making a positive difference kept us on track through the pandemic. Guided by our strong values, I look forward with a sense of optimism to what we can achieve in the year ahead.

MOMENTUM

2021 has been a seminal year for the Group. The Group delivered record sales performance reflecting the investments we have made into our proposition and its strong reception from advisers and clients.

We expect this momentum to continue into 2022 as we continue to develop solutions which deliver good client outcomes and support our clients in protecting and preserving their wealth. Our solutions are highly relevant in an increasingly complex insurance and savings landscape.

In November 2021, the Group completed the acquisition of Quilter International for £481m. The acquisition cements the position of Utmost International as the leading provider of international life assurance in each of its markets. We were pleased to welcome the 580 employees of Quilter International to the Group.

The strategic rationale for the acquisition was clear – its business footprint and distribution network across the UK, Europe, the Middle East, Asia and Latin America will complement and strengthen Utmost International's existing position in these attractive markets. The entities and branches of Quilter International mirror our existing Utmost International business, enabling us to generate attractive operational synergies as the integration of the business proceeds, delivering value to our shareholders.

We see strong continuing demand for wealth solutions for affluent and HNW clients as a growing global population of this demographic look to protect and preserve their wealth.

DEVELOPMENT

Ahead of the Quilter International acquisition, Utmost Group accessed the public debt markets with its inaugural Tier 2 bond issuance. The bonds were significantly oversubscribed with strong demand from a broad institutional investor base, demonstrating recognition of the Group's diversified business model, strong financial performance, resilient capital and solvency positions and solid cash generation profile. The Group issued £400m of bonds at a 4% coupon, a pleasing result which is reflective of the high credit quality and investable nature of the Group.

The Group issued a second public debt instrument, a £300m RT1 Perp-NC-7.5yr bond with a 6.125% coupon in January 2022. The RT1 issuance diversified the Group's sources of funding, accessing a different part of the capital stack, and extended the Group's debt repayment profile. The proceeds of the RT1 issuance were used to repay the Group's external bank debt and will support the future growth of the Group. The Group made its first capital return to shareholders following the issuance. The Group was able to lock in long-term funding at an attractive yield in an environment of rising interest rates.

Following the bond issuances and acquisition, the Group retained its low leverage ratios and high interest coverage, a demonstration of the strength of the Group's balance sheet and operating model. The public debt issuances represent an important step in the development of the Group's strategy. Long-term access to public markets enables us to continue investing in strategic growth and business development opportunities. I am pleased to welcome our new investors to Utmost Group.

The Group foresees a steady stream of acquisition opportunities over a 2-3 year horizon. The Group remains patient and selective on how and where we deploy our capital. We apply strict financial and operational metrics to all acquisition activity. 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.

OUR POLICYHOLDERS

Building a brighter future for our 560,000 policyholders by preserving their wealth is at the centre of our strategy. 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.

This year more than ever, we focused on ensuring our propositions deliver good customer outcomes. Utmost International relaunched certain older products with revised charging structures to ensure they continue to deliver good value to customers. Our proposition team continually review our solutions to ensure they remain competitive, bringing their legal, operational and investment expertise to bear to deliver compelling solutions.

Our priority throughout the pandemic was the continued delivery of excellent customer service. Thanks to the effort of our client service teams, our service standards were met consistently despite the logistical challenges created by lockdowns.

The Group was pleased to announce its entry into the French market in September 2021, an exciting development for the Group. France is a key strategic market for insurance-based wealth solutions and our entry into this market marks a significant milestone in the development of our growth strategy.

On completion of the Quilter International acquisition, the Group consolidated the Utmost and Quilter products into a single suite of products, combining the strengths of both ranges. The strongest products by region remain open for new business and duplicate products in each region were closed to new business. We have commenced the rebranding exercise of Quilter International entities and materials to Utmost, with teams across the Group working to implement the changes.

The Group is focused on increasing its penetration outside of its core markets. The Group has created a Swiss entity to serve as an international gateway, focused on serving the needs of global private banks. Quilter International has strengthened our presence in the Asian market including Singapore, a key sales venue for Asian markets. Our proposition is designed to service the exponentially growing affluent and HNW population of Asia, and capture flows redirected from Hong Kong in light of ongoing political instability.

RISK HORIZON

The macroeconomic environment recovered in 2021 following 2020's Coronavirus-related downturn, largely tied to the development and deployment of effective vaccines. Global asset prices recovered close to or exceeded pre-pandemic highs.

The environment remains challenging with significant volatility in equity and rates markets. The evolution of the Russian invasion of Ukraine remains uncertain. At this time all our thoughts and prayers are with the people of Ukraine. From an economic standpoint, the conflict may impact growth expectations and will likely result in higher food and energy prices.

Central bank rhetoric became hawkish in late 2021 as high energy prices and supply chain pressures spurred record high inflation. Whether central banks react to higher energy prices by increasing the magnitude or speed of interest rate rises to combat inflation, or reduce their pace of tightening to support the economy, is not yet entirely clear.

The Group has limited exposure to asset prices given the high degree of asset and liability matching. The Group is well hedged against interest rate rises and higher base interest rates would increase the rates earned on the Group's short-term assets. The Group has a very low exposure to Russian assets and is carefully monitoring the development of the conflict.

Our balance sheet remains strong with Own Funds of £1,964m and a Solvency Coverage Ratio coverage ratio of 177%, which is above our target operating range and gives us significant surplus capital to pursue further acquisitions. Our liquidity has remained robust through the market turmoil.

GOVERNANCE

The Group was pleased to announce the appointment of James Fraser as Chairman in October 2021 and the appointment of Gavin Palmer as an Independent Non-Executive Director of the Group in July 2021. Gavin serves as the Chair of the Group Audit, Risk and Compliance Committee ("ARCC"). James' and Gavin's extensive industry experience complement the experience of the existing directors and they are an asset to the Board as the Group delivers on its strategic agenda.

In February 2022, the Group hired a Group Head of Risk and Compliance, responsible for the day-to-day development and maintenance of the Enterprise Risk Management framework. His appointment, as well as the Board appointments, reinforce the culture of strong governance and risk management as the Group embarks on the next phase of its development.

INVESTING FOR THE FUTURE

The pandemic accelerated the adoption of virtual client interactions and new ways of working, making physical channels and office spaces redundant overnight. As highlighted through the pandemic, firms with robust technology infrastructure that were able to adapt their operating models in short order were well placed to capture opportunities as the digital demands of client and advisers ever increase.

Underscoring our commitment to digitalisation, the Group hired a Chief Technology Officer in 2021 to bring strategic and operational leadership to our IT functions. His remit is to ensure that our technology infrastructure is responsive and durable to guarantee Utmost can retain its market-leading position and continue to deliver excellent customer service.

A core strategic objective of the Group is the delivery of optimised and efficient operations, to support an improvement in operating profit and a lower cost-per-policy. The Group's growing scale demands focus on efficiency initiatives and streamlining of processes and systems.

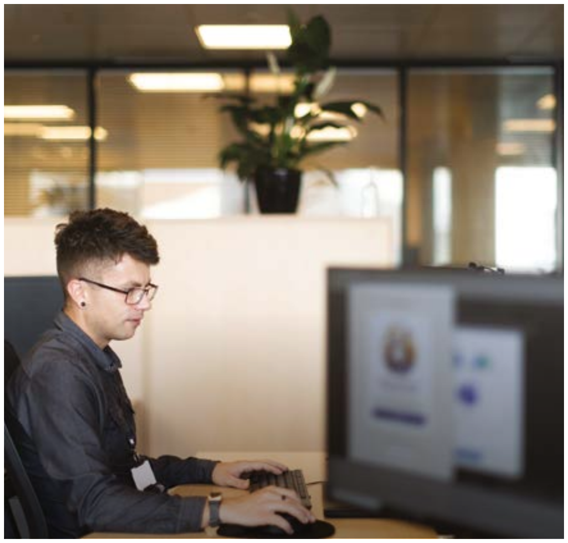
In terms of tools and technologies, the Group is prioritising investment in interactive client reporting and online servicing, tools for client and investment insights and the automation of administrative tasks.

EFFICIENT OPERATIONS

Utmost Group's business model relies on continuing to obtain and efficiently integrate a steady stream of acquisitions. Successful integration is key to Utmost Group's consolidation strategy and is one of the Group's core competencies.

Following the initial announcement of our agreement to acquire Quilter International in April 2021, the Group commenced thorough planning of the integration of the business into Utmost International. The plan optimises the organisational and team structures, risk and governance approaches and the IT migration onto Utmost Group systems.

Thorough planning enabled Utmost Group to announce its International leadership team and its combined product range on the day of completion of the acquisition, providing certainty to clients and employees alike.



£1.5bn

Net Flows in 2021

A comprehensive 100-day plan commenced at completion to secure early synergies. This included implementing a single global salesforce, initiating the entity transfers to remove duplicate entities, cascading the organisational design down from the leadership team, and embedding Utmost's risk framework and risk management systems across the organisation.

One of my focuses this year will be on the successful delivery of the medium-term integration programme, with the operational integration of the businesses expected to take 18-24 months. The synergies are expected to result in a material increase in both Own Funds and Solvency II Economic Value ("SII EV") over time, with a modest proportion included in the YE 2021 results.

Managing expenses is critical to the success of Utmost Group. A key part of the ongoing strategy will be to find further opportunities to improve the Group's efficiency and reduce costs in an appropriate and controlled manner.

CALL TO ACTION

The pandemic reinforced the importance of sustainability, and this year marked a landmark moment on the Pathway to Net Zero. In November 2021, the UK hosted COP26. The summit brought parties together to accelerate action towards the goals of the Paris Agreement. COP26 has raised the global ambition on climate action demanding drastic changes in corporate and individual behaviour.

Sustainability is at the heart of the Group's strategy. Our Sustainability Strategy encompasses how we aim to embed a sustainable mindset into our business and culture. The Group sees it as an important part of our commitment to policyholders in providing security for current and future generations. Naturally, our commitment to creating a positive impact has joined our other core values, alongside collaboration, working with an entrepreneurial mindset and staying true to our word. We are proud of the progress we have made across the sustainability agenda but accept there is more to do going forward.

Securing a brighter future for future generations requires urgent action to turn the tide on climate change. The Group believes it should be at the forefront of the response to climate change, given there is no scenario where it makes sense to ignore it. The Group is aligning its investment portfolio with the goal of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels and is committed to support a low carbon economy in which the UK achieves carbon neutrality by 2050. The Group has committed to be carbon neutral in our operational footprint going forward. We have taken action to reduce our own operational carbon footprint alongside offsetting any Scope 1 and 2 emissions, and Scope 3 business travel emissions.

The Group is a signatory to the UN PRI, a member of the IIGCC and a supporter of the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). We are pleased to publish our first TCFD Report this year and within this we set out our Pathway to Net Zero. In future disclosures, we will set out the series of steps the Group will take to make this pathway a reality.

› See sustainability section on page 26

› See TCFD Report on page 34

PEOPLE

Our people are a key strength of Utmost Group. The high calibre of our employees has enabled us to thrive in what have been challenging times. Co-ordination between all our teams and our Quilter counterparts, and our attention to detail, ensured that we were able to complete a complex acquisition despite the challenges of remote working and ongoing lockdowns.

Utmost Group has a strong culture encouraging dedication, agility and working with a collaborative spirit. Our strong values run through the entire Group, evidenced through our consistent success in recent years during periods of rapid and ongoing change and demonstrated most keenly through the pandemic crisis. The hire of a Group Head of Human Resources during 2021 will support in the unification of our businesses and ensure our strong values drive through the entire Group. One of her tasks will be in ensuring the Group continues to provide an inclusive work environment where each of our talented employees can reach their full potential.

I would like to thank all our employees for their hard work, commitment and dedication which has ensured another successful year for Utmost. It is testament to their dedication and spirit that our Group has delivered a strong set of results, in the face of challenging circumstances.

LOOKING AHEAD

The long-term structural drivers of growth in the insurance and savings market remain strong and attractive. The outlook remains positive as a growing demographic seek the security and peace of mind that a trusted investment solution can provide. We remain well positioned across our markets to capitalise on the opportunities presented and address the challenges that may arise.

Early in 2022 we have witnessed a change in investor sentiment with heightened geopolitical tensions and inflation, and an uncertain interest rate outlook. Our diversified revenue streams ensure the Group is well placed to deal with the different macroeconomic cycles that may play out and I am closely monitoring the evolution of the Russian invasion of Ukraine and its economic impacts.

Our objective in 2022 is to reinforce Utmost's leadership position. We continue to invest in our brand, and enhance our propositions to meet the evolving needs of customers. The pandemic underscored the importance of digital platforms, and a key focus of our leadership team will be progressing our online strategy to better serve our clients.

Our ambitions are considerable, and we will continue to pursue our clear and focused strategy. I look forward to working with our recent Board and senior leadership hires to seize the opportunities that present themselves and progress towards our strategic goals. The Group is at an exciting juncture. Driven by the entrepreneurial spirit of our teams, I am confident we can capitalise on Utmost's excellent position to further strengthen our leadership position in the insurance and savings market.

Paul Thompson
Group Chief Executive Officer

"The long-term structural drivers of growth in the insurance and savings market remain strong and attractive. The outlook remains positive as a growing demographic seek the security and peace of mind that a trusted investment solution can provide.

UTMOST GROUP PLC

WHAT WE DO

UGP is a leading provider of insurance and savings solutions in the UK and internationally. The Group provides modern, flexible solutions to help our clients secure their financial futures.

HOW WE DO IT

The UGP 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. In 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 outcomes.

UTMOST INTERNATIONAL

Utmost International is the leading global provider of insurance-based wealth solutions.

Our scale and technical expertise enable us to provide solutions to meet our clients' needs. With leading positions in the UK, Europe, the Middle East, Asia and Latin America, Utmost International is well positioned to benefit from the fundamental growth trends in our markets.

Our policies are based on unit linked insurance policies and provide straightforward, transparent savings solutions which are globally recognised and favoured by intermediaries.

Utmost International fees are a combination of annual management charges ("AMCs") based on policyholder AUA, fixed fees, and initial fees at the outset of the policy.

UTMOST LIFE AND PENSIONS

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. ULP is closed to new business and 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.

ULP's leading position in the UK life and pensions market positions it well for future growth via acquisition.

ULP charges AMCs based on policyholders' AUA and earns investment returns on its annuity and shareholder assets.

OUR STRATEGIC PILLARS

1. GOOD CLIENT OUTCOMES
2. GROWTH THROUGH ACQUISITIONS
3. ORGANIC GROWTH
4. OPTIMISED AND EFFICIENT OPERATIONS

See page 20 for further information on our strategic pillars.

OUR STRENGTHS

Our business model is underpinned by our strengths.

ACQUISITION EXPERTISE

INTEGRATION

FINANCIAL STABILITY

PROPOSITION

SUSTAINABILITY

VALUE WE CREATE FOR OUR STAKEHOLDERS

CLIENTS
Good client outcomes
See page 21

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

	utmost INTERNATIONAL	utmost LIFE AND PENSIONS
CLIENT	AFFLUENT HNW	SAVERS RETIREES
DISTRIBUTION PARTNER	PRIVATE BANK ADVISERS	CLOSED TO NEW BUSINESS; ANY PRODUCT TRANSFERS ARE ADVISED
utmost PROPOSITION	UNIT LINKED	UNIT LINKED ANNUITIES WITH PROFITS
INVESTMENT SOLUTION	OPEN ARCHITECTURE GUIDED ARCHITECTURE DISCRETIONARY FUND MANAGER	GUIDED ARCHITECTURE EXTERNAL FUND MANAGERS
UNDERLYING ASSETS	MUTUAL FUNDS DIRECT STOCKS AND SHARES PRIVATE ASSETS	MUTUAL FUNDS EXTERNALLY MANAGED ASSETS

RISING AFFLUENT WEALTH

Despite the black-swan volatility of the past two years, total global wealth continued to grow. Third-party data suggests that global wealth grew 7.4%[1] in 2020, a trend which continued in 2021 with 82%[2] of advisers expecting their clients' wealth to have increased in the year. A growing proportion of this wealth is controlled by our target market of affluent and HNW individuals. This wealth is concentrated in the hands of savers aged 65 and over, outlining the extent of future asset decumulation and the size of opportunity that intergenerational wealth transfer presents.

The roll-out of effective vaccines to combat the Covid-19 pandemic raised sentiment in 2021, with improvements in productivity and labour markets as lockdown restrictions eased, supporting strong investment markets. Governments around the globe looked for ways to fund their responses to the pandemic with ongoing discussions around wealth taxes and a global minimum corporate tax rate.

Client and advisers continue to demand straightforward, transparent savings solutions in the face of an uncertain fiscal backdrop, with Utmost well positioned to support them through the provision of standardised, tax-efficient savings vehicles.

An ageing global population inevitably creates an increasing need for an individual's savings to last longer than previously required. Governments are increasingly placing the onus on individuals, rather than employers, to provide for their retirement. Young adults entering the workforce are likely to have lower levels of savings in investments compared to previous generations. Intergenerational wealth transfer will therefore become increasingly important in the years ahead.

The Group is well positioned to support the generations of today and tomorrow. Our propositions support clients who wish to preserve their wealth and pass this to future generations.

The environment for managing one's own personal financial affairs is increasingly complex. The increasing burden placed on individuals for retirement savings, a complex personal taxation regime, and changes to the pensions landscape in recent years all serve to heighten the challenges individuals face when considering their finances.

Our unit linked policies are standardised, tax-efficient savings vehicles which utilise available tax reliefs and deductions which meet client and adviser demand for transparent and robust solutions.

9.3%

Growth in Ultra High-Net Worth population in 2021[2]

1. Credit Suisse Global Wealth Report 2021
2. Source: Knight Frank The Wealth Report 2022

SUSTAINABILITY

The world has reached a critical juncture in the fight against climate change. Many of the changes observed in the climate are unprecedented in thousands, if not hundreds of thousands, of years and some of the changes already set in motion – such as continued sea level rise – are irreversible over hundreds to thousands of years.

The IPCC Working Group report ("IPCC Special Report"), Climate Change 2021: The Physical Science Basis, published in August 2021 unequivocally linked global warming to human activities. The report estimated human activities caused approximately 1.1°C global warming above pre-industrial levels, and global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate. A 1.5°C temperature rise will result in a higher incidence of interrelated climate risks; for a 2°C rise, the changes would be catastrophic. The findings are stark and leave little doubt that drastic and immediate remedial action is needed.

In November 2021, the COP26 summit brought parties together to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change, with every party at COP26 agreeing the Glasgow Climate Pact which drives action across the globe on:

Mitigation
Reducing emissions

Adaptation
Helping those already impacted by climate change

Finance
Enabling countries to deliver on their climate goals

Collaboration
Working together to deliver even greater action

The Glasgow Climate Pact has kept 1.5°C alive, but its pulse is weak. It will only survive if governments and corporates keep their promises and translate commitments into rapid action.

Collaboration between governments, corporates and civil society will need to accelerate to deliver on climate goals. The responsibilities of corporates to reduce their environmental footprints, to behave in a sustainable manner to benefit future generations and to report their activities transparently and on a regular basis will increase.

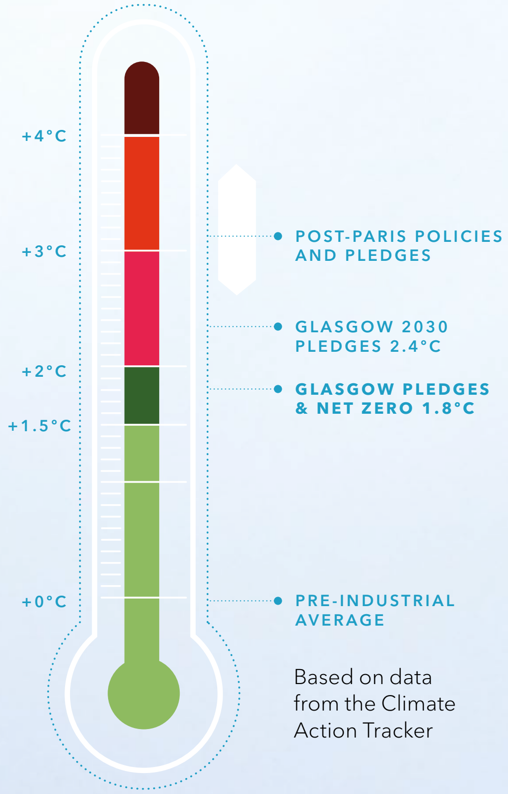
The Group is committed to taking action to tackle climate change, demonstrated by a number of important commitments made through the year including our Pathway to Net Zero and becoming a signatory to the UN PRI.

Please see the sustainability section on page 26 and TCFD Report on page 34

Consumer demand for sustainable investing has accelerated in 2021. This growing consumer awareness highlights the need for savings providers to be sustainability focused and indeed for the providers themselves to be regarded as responsible businesses that create and foster value for all stakeholders. Utmost is committed to dedicating resource and focus to keep up with the rapidly changing sustainability landscape and to keep ahead of increasing investor, client and regulatory demands.

Glasgow has kept 1.5°C alive, but its pulse is weak

Ahead of Paris, some scientists stated that there was a chance that temperatures could ultimately rise by up to 6°C. The pledges made under the Paris Agreement had the world on track to a 2.7-3.7°C rise. If the pledges made at Glasgow are fully implemented, warming will be kept below 2°C and with the commitment to further action over the next decade, COP26 will have kept 1.5°C in reach. The graphic demonstrates potential future temperature rises for the various different policy responses.



Based on data from the Climate Action Tracker

Source: COP26 Presidency Outcomes; The Climate Pact

1.5°C

Global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate

COMPETITIVE LANDSCAPE

Structural changes to the financial services industry in recent years have been driven by digitalisation, the increasing cost and scope of regulation, and changing value chains.

An enduring theme of 2021 was the increased number of M&A deals in the wealth and asset management space. In the UK, we have witnessed advisers either retiring or selling their businesses to larger competitors in the face of a range of external pressures including regulation and economic volatility. In the asset management industry, there has been a series of smaller, tactical M&A transactions as asset managers look for ways to enhance their growth prospects, through adding new products and new ways of reaching customers.

Utmost Group must be nimble and embrace our values of adaptability and collaboration as the landscape of advisers and asset managers changes. The Group partners with a wide range of advisers to deliver suitable solutions to affluent and HNW clients. Our strong technical expertise and recognition as the leading provider of insurance-based wealth solutions supports us in maintaining strong ongoing working relationships and supports robust new business.

Consolidation has continued in the international life assurance market. Historically, a number of international life assurance businesses were smaller parts of larger, global insurance groups. As these standalone international life assurance specialists have emerged in recent years — Utmost Group leading amongst them — advisers and clients have recognised the benefits of working with a focused, specialist Group with the resources and expertise to continually invest in developing solutions and technology specifically for the international life assurance market.

Utmost Group has a scalable business model and is well positioned to benefit from the fundamental growth trends of the insurance and savings market. Our geographic reach affords us diversification, meaning we are shielded from changes impacting any one of our regions in a period. With the strong support of our majority shareholder, Oaktree, and access to long-term capital market funding, the Group remains focused on identifying strategic acquisitions which meet our strict quantitative and qualitative criteria.

+40%

Financial services deal volumes and values increased by 21% and 40% in 2020 and 2021 respectively, and 2022 started with deal activity remaining at elevated levels[1]

1. PWC Global M&A Industry Trends 2022 Outlook

TECHNOLOGY FOR INNOVATION AND AGILITY

The pandemic accelerated the adoption of virtual client interactions and new ways of working, making physical channels and office spaces redundant overnight.
As demonstrated in the pandemic, firms with robust technology infrastructure who are positioned to adapt their operating models in short order are well placed to capture opportunities as the digital demands of clients and advisers ever increase.

In addition to providing technical proposition expertise, it will be important for the Group to embrace the full potential of new technologies to augment our capacity to meet the evolving expectations of clients and advisers.

In terms of tools and technologies, the Group is prioritising investment in interactive client reporting and online servicing, tools for client and investment insights and the automation of administrative tasks.

Underscoring our commitment to digitalisation, the Group hired a Chief Technology Officer in 2021 to bring strategic and operational leadership to our IT functions. His remit is to ensure that our technology infrastructure is responsive and durable to guarantee Utmost can retain its market-leading position and continue to deliver excellent customer service.

A core strategic objective of the Group is the delivery of optimised and efficient operations, to support an improvement in operating profit and a lower cost-per-policy. The Group's growing scale demands focus on efficiency initiatives and streamlining of processes and systems.

Over 2022, a focus area will be the delivery of infrastructure and applications which offer speed, flexibility and scalability which can adapt to changing market requirements cost-effectively. This will include the build out of Utmost cloud solutions which will aid in the migration towards our strategic policy platforms and target IT platforms and the development of our online service functionality to meet client needs.

36%

of working adults reported working from home at least once in the last week in January 2022, below the peak of 49% in June 2020[1]

1. ONS Homeworking and Spending during the Covid-19 pandemic, April 2020 – January 2022

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. OPTIMISED AND EFFICIENT OPERATIONS

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

PAUL THOMPSON
GROUP CHIEF EXECUTIVE OFFICER

1. GOOD CLIENT OUTCOMES

STRATEGIC OBJECTIVES

- The delivery of good client outcomes remains front and centre of our strategy
- Focus on our mission of building a brighter future for our clients and better serving all stakeholders
- Developing our proposition with consistent, reliable client service being key to this objective

Linked KPIs
AUA
Annual Premium Equivalent ("APE")
Client Retention

PROGRESS DURING 2021

- Record net flows and new business demonstrated the strength of the Utmost business model
- Market-leading technical expertise ensured our product features enable clients to optimise outcomes
- Investment performance of our UK and International guided architecture range was strong with a high proportion of top-quartile funds
- Strong client retention reflects the ongoing support of our partners and clients and the delivery of excellent service

FOCUS FOR 2022

- Review of the Utmost International and Quilter International service models and propositions to embed a best-of-breed approach to servicing and proposition development
- Uphold the principle of treating customers fairly. Continue to provide excellent customer service and transparent communications
- Drive investment performance and deliver strong risk-adjusted returns
- Embed sustainability into our business model and corporate culture including through provision of more sustainable investment options for clients and information on the sustainability characteristics of their investments

94%

UWS Client Retention[1]

CASE STUDY

Launch of the UK Online Service Centre

Following the completion of the Equitable Life business transfer in January 2020, ULP has considered opportunities for simplification and further improvements to customer outcomes.

Substantial changes to systems in 2021, including a move away from an expensive legacy mainframe system and the introduction of a new image and workflow system, have helped pave the way for the launch of ULP's new online service, MyUtmost.

MyUtmost, an online client service platform, will be launched in mid 2022. It will enable customers to view their policy values, communicate and transact online. It will continue our journey to take bold steps in providing even better customer outcomes for our acquired businesses.

1. On a pro-forma basis as if Quilter International had been owned for the whole of 2021

2. GROWTH THROUGH ACQUISITIONS

STRATEGIC OBJECTIVES

- Add scale to our operations through further acquisitions, focused on our closed UK business
- Acquisitions are subject to extensive due diligence and must meet our strict deal criteria
- The Group has readily available access to significant capital via our shareholders and long-term capital market funding

Linked KPIs
AUA
IFRS Operating Profit
SII EV

PROGRESS DURING 2021

- Completion of a strategic acquisition in Quilter International brought additional scale, skillsets and cash flows to the Group
- The deal was announced In April 2021 and completed in November 2021, with all the required regulatory approvals and non-objections received in a timely manner
- Inaugural Tier 2 debt issuance raised £400m proceeds from high quality, institutional investors to support the acquisition

FOCUS FOR 2022

- Focus on UK closed acquisitions, to balance the Group's footprint between the UK and International markets
- Maintain our balance sheet and capital strength to maintain our strong credit ratings
- Our belief is that a seller's desire to free up capital by divesting non-core and closed businesses and reduce their balance sheet risk remains. This enables the seller to release capital and redeploy this in core areas of their business

£920m

SII EV of acquired Quilter International business at 31 December 2021

CASE STUDY

Completion of Quilter International

The Group completed an important strategic transaction in its acquisition of Quilter International in November 2021. The deal was announced in April 2021 with EU Merger Regulation approvals, regulatory approvals and non-objections from our numerous regulators received in a timely fashion.

Quilter International has become a part of Utmost International. The acquisition cements Utmost International's position as the leading global provider of insurance-based wealth solutions.

The acquisition met Utmost Group's strict deal criteria including an attractive price of 84% of Own Funds at end of 2020 which, in combination with our integration plans, enables us to meet our IRR targets. The Group retained its conservative leverage ratio and robust Solvency Coverage Ratio and is well positioned for further acquisitions with strong support from its capital providers.

3. ORGANIC GROWTH

STRATEGIC OBJECTIVES

- Utmost International is a leading provider of international life assurance writing over £4.8bn new business in 2021
- The growth strategy focuses on enhancing our proposition and the provision of good client service including through enhanced online service functionality

Linked KPIs

APE
AUA
Value of New Business ("VNB")
IFRS Operating Profit
SII EV

PROGRESS DURING 2021

- Record net flows in International of £1.5bn with increasing volume of flows outside our current core markets
- The new business footprint is diversified by market, with 2021 marking Utmost International's entry into France, a key strategic market, and the launch of new propositions for the Finnish market
- Solutions are based on unit linked insurance policies which provide straightforward, transparent savings solutions which are globally recognised and favoured by intermediaries
- Unit linked is a standardised, tax-efficient savings vehicle utilising available tax reliefs and deductions

FOCUS FOR 2022

- Maintain and grow strong positions across our existing and target markets
- Strengthen relationships with existing distribution partners and build relationships with new distribution partners
- Continue to optimise our proposition with a pipeline of planned development activity
- Structural factors should continue to drive our market position including a growing population of affluent and HNW individuals and increased demand from distributors for straightforward planning solutions
- Continue to increase new business flows

£1.5bn

Net Inflows for Utmost International in 2021[1]

CASE STUDY

Market Entry into France

In October 2021, Utmost International announced its entry into the French market with a new product, Apex (France). The move into this market is a key milestone in the Group's strategic development.

Apex (France) combines a life assurance policy with a range of investment options designed to suit clients' needs. It offers a tailored solution, enabling expatriates to take advantage of the favourable French tax regime for investment-linked life assurance and includes features which are suited to Utmost International's mobile client base as they move between countries.

During the product development stage, we consulted our advisers and clients, and their feedback was pivotal in terms of shaping our overall proposition. France is a key strategic market for insurance-based wealth solutions and our entry into this market marks a significant step in the development of Utmost International's growth strategy.

1. On a pro-forma basis

INTRODUCTION
STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

4. OPTIMISED AND EFFICIENT OPERATIONS

STRATEGIC OBJECTIVES

- Efficient operations across the Group support an improvement in Operating Profit and a lower cost-per-policy
- The Group's growing scale demands focus on efficiency initiatives and streamlining of processes and systems
- Successful integration of acquired businesses is key to the Group's consolidation strategy

Linked KPIs
IFRS Operating Profit
SII EV

PROGRESS DURING 2021

- Planning the integration of Quilter International into the Utmost International business
- Initial synergies include embedding the combined organisation design and leadership team, alignment of risk and governance processes and the launch of the combined product range
- The Group hired a Chief Technology Officer to lead and unify its IT standards and approach and drive the focus on digitalisation and online servicing

FOCUS FOR 2022

- Continuing the integration of Quilter International into Utmost International. Ongoing projects include rebranding, entity and branch mergers and the IT migration off Quilter plc systems. The integration is expected to take 18-24 months
- The Group is evolving its online service centre to meet rising client expectations. The UK is launching its online tool, MyUtmost, in mid 2022 and International is adding new features to provide full, consistent, online services to clients

£220m

Operating Profit[1]

CASE STUDY

Quilter International 100 Day Plan

An integral part of each Utmost Group acquisition is the integration planning. Each integration plan comprises a pre-completion, a 100-day and a medium-term plan setting out key deliverables across the organisation.

At the point of completion of the Quilter International acquisition, a comprehensive 100-day integration and separation plan commenced. The plan captured early integration and governance synergies.

Key achievements of the first 100 days following the Quilter International acquisition included the announcement of the combined Utmost International Isle of Man and Quilter International leadership team, initiating the entity and branch mergers, embedding Utmost's risk framework across the enlarged organisation and planning the IT migration off Quilter plc systems.

The delivery of synergies will result in a material increase in both Own Funds and SII EV over time, with a proportion included at YE 2021.

1. On a pro-forma basis as if Quilter International was owned for the whole of 2021

> It is imperative we consider the impact of our activities over the long term not just for our customers, colleagues and capital providers, but for future generations.

PAUL THOMPSON,
GROUP CHIEF EXECUTIVE OFFICER

I am proud of the progress the Group has made in 2021 with regards to its Sustainability Strategy. In this sustainability section, we incorporate our inaugural 2021 TCFD Report and provide detail on the pillars of our Sustainability Strategy.

Utmost Group is dedicated to securing the financial futures of both present and future generations. Securing a brighter future for future generations requires urgent action to turn the tide on climate change. Recognising this, the Group committed to be net zero across our business by 2050 including our operations and investment portfolio, and we are now setting out the steps to make this pathway a reality.

The days when sustainability was seen as niche are in the past. Firms that fail to incorporate sustainability across their strategy run the risk of becoming uninvestable. It is vital that the Group both assesses its own business model and investment portfolio for sustainability risk exposures and that our own values and culture enable our organisation to navigate these risks in the future.

We are looking to shift our portfolios towards more sustainable investments as well as providing sustainability data to clients so they can assess the characteristics of their own holdings. Additionally, we are supportive of the developing industry standards on comprehensive and transparent sustainable disclosures. We are building out our sustainability reporting, and support the recommendations of the TCFD (see TCFD Report on page 34), making use of the data and tools available to us at the current time.

The Group exerts influence through our stewardship and engagement activities. Stewardship is critical to how the Group delivers a positive difference when managing investments on behalf of its policyholders and shareholders. We look to actively foster responsible stewardship of all investments that are managed on our behalf. We actively promote good sustainability practices through our ownership, and oversight of our asset managers' engagement and voting policies and practices.

We recognise that exerting influence provides a significant opportunity to help foster change. We champion measures to address climate change in our own operations. We have various initiatives ongoing to reduce our initial greenhouse gas emissions and foster a sustainable workplace.

We are a supporter of the Paris Climate Accord and the transition to carbon neutrality. This is best demonstrated by our commitment to being net zero in our investment portfolio by 2050, and setting ourselves interim targets to support immediate action. Our ambition is demonstrated by being a signatory of the UN PRI and our membership to the IIGCC.

We are proud of the progress we have made with our sustainability agenda and readily accept there is more to do going forward. At Utmost Group, we see this as a fundamental part of our commitment to providing our present and future generations security for the future.

Paul Thompson
Group Chief Executive Officer

1.14 tCO_2e
GHG Emissions per Employee

> 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.

PAUL THOMPSON
GROUP CHIEF EXECUTIVE OFFICER

SUSTAINABILITY STRATEGY

Utmost Group is guided by its mission and its values to behave and invest sustainability. Our organisation exists to support current and future generations to prosper. It is imperative we consider the impact of our activities over the long term not just for our customers, colleagues and capital providers, but for future generations.

Sustainability must be integrated across our business in order for us to make a positive difference. The formalisation of our Sustainability Strategy provides firm foundations. The development of processes to measure, manage and reduce our contribution to climate change as an investor and as a business was a key development this year. We recognise this is a fast-moving area which requires an evolving response.

Looking forward we will continue to focus on the issues that matter most to our stakeholders. We will continue to embed our climate change strategy and work to understand our impact in more detail, as well as developing the disclosures in our TCFD Report. Embedding and enhancing our responsible investment capabilities across our entire business will continue to be a key priority. We understand our responsibility to help clients and partners invest in a way that is aligned with their views on sustainability.

SUSTAINABILITY WORKING GROUP

Paul Thompson, Group CEO, has overall accountability for ensuring our business is run in a sustainable manner and is supported by a working group with representatives from across the Group.

OUR COMMITMENTS

Customer Outcomes

- To provide products which are **suitable for customers across each socio-economic group**
- To continually develop our proposition in order to **provide suitable outcomes to our customers**
- To provide **excellent customer service and communicate openly and honestly** with customers
- To work to provide **additional sustainable investment options** to our customers
- To support customers with the provision of data which helps them **understand the Environmental, Social and Governance ("ESG") characteristics of their investments**

Environmental Impact

- Utmost Group is on track to have **fully embedded climate risk into our business and risk management processes by the end of 2022**
- To **reduce and minimise the environmental impact** of our operations
- To maintain a **net zero carbon status in our operations** and reduce our initial operational carbon emissions
- To **reduce the environmental impact of our supply chain**, looking to work with select organisations which operate in line with our corporate philosophy and help us deliver our long-term vision

Responsible Investments

- **Net zero by 2050 with a 50% reduction by 2030 aligned with a maximum temperature rise of 1.5°C** above pre-industrial levels as outlined in the Paris Agreement
- Utmost Group is a **signatory to the UN PRI and a member of the IIGCC**
- Utmost is a **supporter of the Financial Stability Board's TCFD** and endorses its recommendations.
- Committed to regular and transparent reporting on our sustainability activities

Community Engagement

- To create an environment where our people can **achieve their aspirations and reach their full potential**
- To **increase diverse representation** and strengthen our leadership **focus on diversity and inclusion**
- **To participate in our local communities**

2020
Carbon neutral in our operations

2030
Halve emissions by 2030

2050
Net zero by 2050

KEY HIGHLIGHTS 2021

CUSTOMER OUTCOMES	ENVIRONMENTAL IMPACT	RESPONSIBLE INVESTMENTS	COMMUNITY ENGAGEMENT
Review of International product range, selecting best-of-breed products	Develop our climate-related financial disclosures in line with the recommendations of TCFD	Signatory to the UN PRI	Maintained high level of diversity throughout our organisation including senior leadership
UK online portal launch due in mid 2022	Set a target to embed our climate risk framework by YE 2022	IIGCC membership	Continued to participate and contribute towards our local communities
Continued provision of excellent customer service	Offset our operational carbon footprint	Pathway to Net Zero: net zero in our investment portfolio by 2050	Implemented a volunteering policy
Provide additional responsible investment options to customers to meet their views on sustainability	Implemented initiatives in our offices to reduce our environmental impact	Enhanced stewardship and engagement practices	

CUSTOMER OUTCOMES

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 support individuals in saving for their own retirement.

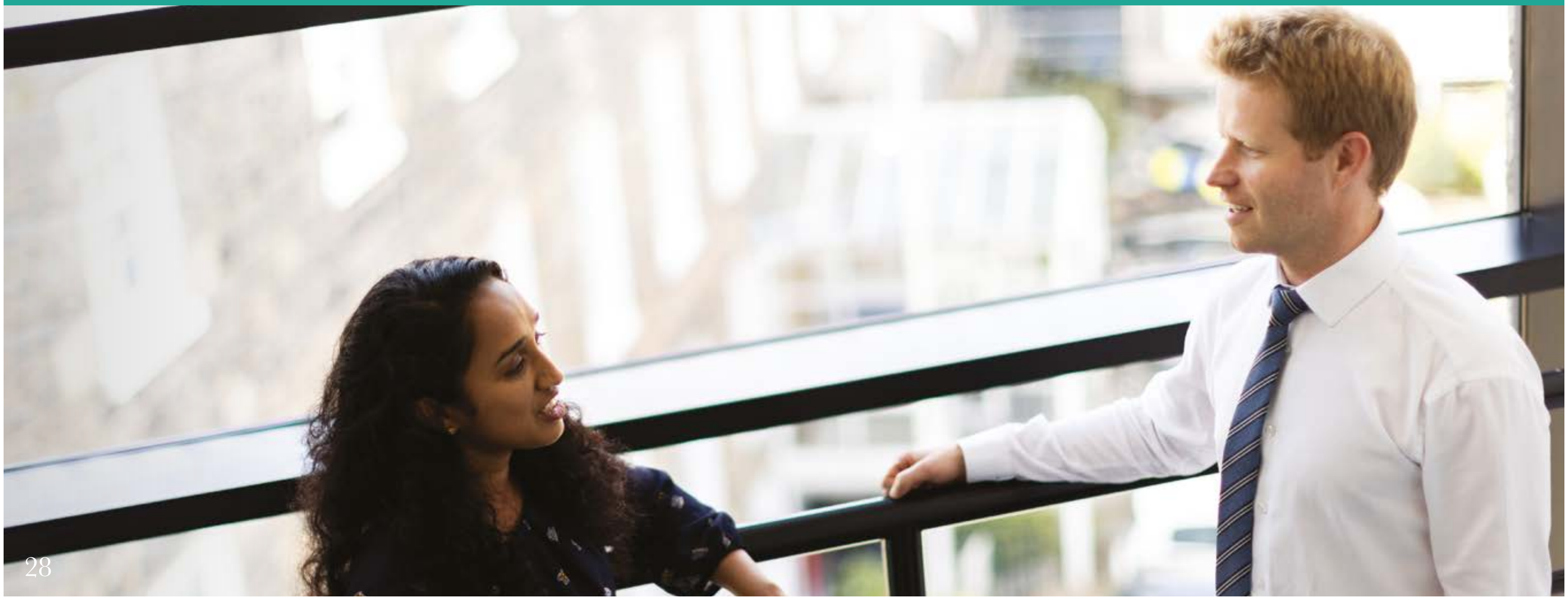
Across our International and UK businesses, our products support the financial futures of a range of clients, from straightforward savings needs through to more complex requirements.

Good client outcomes have been demonstrated this year in the review of the combined Utmost International and Quilter International product ranges with the best-in-class products chosen to be open to new business going forward. New product launches have introduced modern, flexible features and more cost-effective charging structures for clients across our markets. Across our guided architecture ranges, the majority of our funds are in the top two quartiles, demonstrating good value for customers.

Our UK business will launch its online portal in mid 2022 to aid customer access to information enabling clients to view and manage their policies online. We have illustrated this in the Good Client Outcomes Case Study on page 21.

Since 2021, we have included ESG scores on our fund factsheets. These support clients in selecting investments which match their views on sustainability. The scores provide information on the ESG risk exposures of each fund.

In 2022 we will continue to develop our responsible investment framework. We want to support our customers on their sustainable investment journeys. We will follow industry developments closely, particularly in the wake of COP26 as the financial industry adapts to address the challenges of the global climate crisis.



ENVIRONMENTAL IMPACT

The IPCC Special Report published in H2 2021 categorically linked human activities to global warming. Human activities are estimated to have caused approximately 1.1°C of global warming above pre-industrial levels. Global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate. Climate-related risks depend on the magnitude and rate of warming and a strengthening of the global response to the threat of climate change is required.

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

Utmost Group is committed to reducing and minimising the environmental impact of our operations and embedding a sustainable mindset into our corporate philosophy.

Our local sustainability working groups encourage employees to embed the "reduce, reuse, recycle" philosophy across our business. This has encouraged a number of initiatives such as a move towards the removal of single-use plastics, uptake of recycling, increased use of renewable energy in our offices, installation of electric charging points in our car parks and paperless initiatives. In 2021, we planted a tree for each employee to support the carbon offsetting of our operational carbon emissions from 2020, becoming net zero in our operations for 2020. We have committed to be net zero in our operations in future years.

We are proud that our Isle of Man business has become a Partner of the Isle of Man UNESCO Biosphere, taking a pledge to protect the area's natural resources and develop the economy in a sustainable way. Other initiatives in our offices included adoption of cycle-to-work schemes and solar panels to generate hot water.

Going forward we will look to reduce our initial carbon footprint to support our net zero operational commitment. As contracts come up for renewal with our suppliers, we will look to choose sustainable options, for example where any single-use plastics are in use. Similarly, any energy contracts will be replaced with renewable alternatives at the point of renewal where feasible. Where paperless client servicing is possible, we will implement it and look to develop the systems and processes to enable this across all our businesses.

RESPONSIBLE INVESTMENTS

In order to meet its fiduciary duty to manage risks while achieving target investment returns, Utmost Group recognises that its net zero commitment must be embedded holistically incorporating, but not limited to, climate change.

The Group has joined the UN PRI to support the integration of its responsible investment approach. The Group believes that committing to the UN PRI principles provides a market-leading framework for us to follow. By becoming a signatory, it will support our efforts to contribute to developing a more sustainable global financial system.

In 2021, the Group embedded its responsible investment standards and stewardship standards across the businesses. These mandate that ESG factors must be considered as an integral part of investment decision making. The Group also set minimum ESG standards for funds included in our guided ranges. Via the Stewardship Standard, the Group has enhanced oversight of its managers' engagement and stewardship.

The Group is putting together a comprehensive Pathway to Net Zero, as well as setting intermediate targets to maintain progress towards our longer-term goal. The Group will monitor the carbon intensity of its shareholder assets, expressed in "tonnes CO_2e/m USD borrower revenue" or an equivalent sectoral measure, and use this as the metric to measure progress towards the net zero goal.

Utmost Group is making its first climate change-related disclosures. In the wake of COP26 we expect to see increased and persistent focus from all parts of society in reducing carbon footprints to slow warming and avoid the worst impacts of climate change. Given the geographical concentrations of our shareholder portfolio towards the UK, our Pathway to Net Zero should be aided by the UK's continuing shift towards net zero, focusing on greener energy generation. The majority of world governments have set net zero targets; our success is intrinsically linked to the success of governments in implementing these strategies.

Going forward, the Group will develop its Pathway to Net Zero. The Group believes regular and transparent reporting will support progress and is committed to providing clear and regular updates. We are building out our responsible investment function in order that we can act in line with industry best practice as set out by the UN PRI.

COMMUNITY ENGAGEMENT

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

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.

We have a civic responsibility to commit time and resources to support our local communities to thrive and prosper. We want to be an active participant in our communities. To support our colleagues' participation in our local communities, we implemented a volunteering policy. Colleagues can take one day of paid work time per year to participate in their local community.

Across the Group, and despite continued restrictions, colleagues have used their volunteer days to contribute positively to their local communities. Colleagues from our Ireland office participated in a project to transform the play areas of a local school seriously damaged by fire. Groups have also participated in beach cleans, school playground painting, and local environment area clean-ups.

Following a hiatus through the pandemic we have recommenced the Utmost Challenge to support our employees' charitable giving, help us engage with the communities we work in and contribute towards them. Employees can apply for a donation to their chosen charity. To be selected for a donation, the employee must complete an outstanding challenge. The challenges which are selected are highly notable and are the "utmost" achievement in their field. At the beginning of 2022, Utmost Group donated £25,000 to be split across the British Red Cross and the Irish Red Cross to support the people affected by the Ukraine crisis.

This year, we became an accredited Living Wage employer across our UK offices. Our Living Wage commitment is confirmation that all UK employees at Utmost earn at least the real Living Wage. This commitment applies not only to directly employed staff but also to our third-party contracted staff. The accreditation demonstrates the Group's commitment to creating a positive impact in the communities where we operate.

SUPPORTING OUR LOCAL SPORTS

- Isle of Man Swimming Association
- Isle of Man Junior Cycling team
- Guernsey Team for the Biennial International Island Games
- Navan Rugby Football Club

COMMUNITY ENGAGEMENT CONTINUED

In our 2020 Annual Report, we set out our commitment to inclusion and diversity ("I&D") and we remain committed to the promotion and advancement of I&D across Utmost.

Utmost Group's Five-Year I&D Strategy:

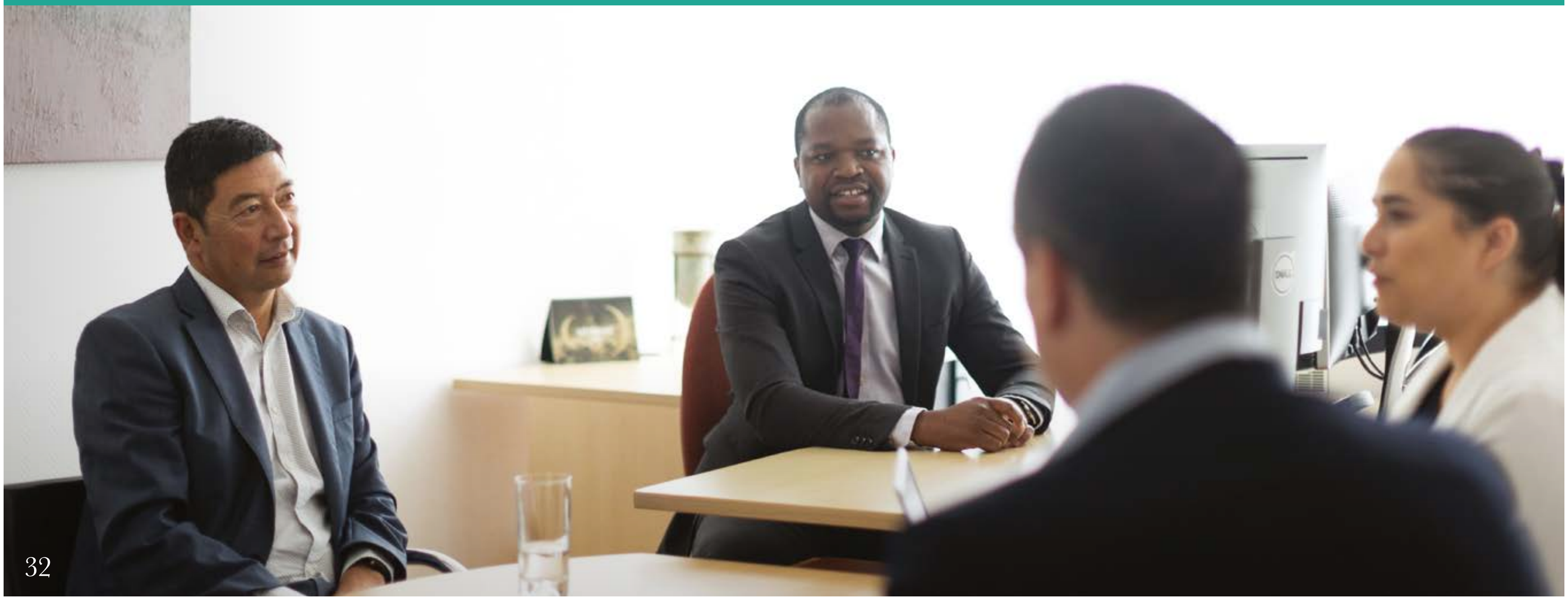
- INCREASE DIVERSE REPRESENTATION
- STRENGTHEN OUR LEADERSHIP FOCUS ON INCLUSION AND DIVERSITY
- ENSURE EQUAL OPPORTUNITIES FOR PROGRESSION AND DEVELOPMENT FOR ALL

We have been intentional in setting out this strategy over five years. This enables us to make deliberate and considered actions, which hold Utmost employees and stakeholders at their core. More broadly, as an organisation we have made the conscious decision to not assign targets to our I&D strategy. We are not shying away from the proactive implementation of I&D. Rather we believe that the implementation of targets can cause unintended consequences, with the focus removed from the intended beneficiaries – our employees. We will continue to place employees at the heart of our I&D decision-making processes and to foster a culture in which all have an equal opportunity to succeed.

We remain committed to attracting, developing, and retaining talent, the success of which is underpinned by maintaining a culture across the Group that fosters equal access, inclusion and belonging, and encourages diversity of perspective and experience. We have invested in LinkedIn Learning across our Utmost International businesses, with colleagues encouraged to pursue diverse learnings to expand their knowledge and develop a more holistic skillset. We also provide targeted learning pathways for colleagues in particular roles, to expand their role-specific skills. We are mindful of the power of in-person learning which continued to be restricted in 2021. Despite this, our Isle of Man office ran "Accelerate" – an in-person leadership and development programme for select future leaders, further emphasising our commitment to providing the tools for colleagues to realise their ambition.

In 2021, we enhanced our reporting to capture diversity information about our senior teams and Boards. This information is reported to the relevant Executive Committees and enables an understanding of the current diversity landscape at Utmost, as well as identifying future opportunities and corresponding talent at Utmost. When hiring across all roles, we have promoted the enhancement of diversity as a consideration. With our recent INED appointment in the ULP business, we intentionally looked for diverse candidates and have successfully hired on that basis. This contributed not only to diversity of gender for the Board of Utmost Life and Pensions Limited ("ULPL"), but further contributed to the diversity of thought and perspective that has been central to Utmost's continued success.

Going forward, we want to continue the progress that we have made in 2021 and strengthen our ties to our local communities.



> Utmost Group is committed to achieving net zero across its business by 2050. The Group has set out a pathway to achieve net zero backed up with meaningful actions and intermediate milestones in the years ahead.

TCFD

Climate change is the greatest risk facing us all. Around the world storms, floods and wildfires are intensifying and unpredictable weather causes untold damage to homes and livelihoods. To achieve the Group's mission of securing a brighter future for our policyholders and future generations, urgent action is required by individuals, by corporations and by nations to turn the tide on climate change.

Throughout this report, climate change is used as a shorthand for the impacts and consequences of increasing atmospheric CO_2 including related risks whose consequences are likely to include rising sea levels, increased incidence of heat waves and extreme weather events and acidification of the oceans.

I. GOVERNANCE

Our climate change governance framework clearly defines the roles and responsibilities for effective oversight and management of climate change-related risks and opportunities at the Board and senior management levels.

Board Oversight

The Board oversees the delivery of the Group Sustainability Strategy, a key element of which is the management of climate-related risk and opportunities. Paul Thompson, Group CEO, is the Executive Board Director responsible for the implementation and delivery of the Group's Sustainability Strategy.

During 2021, the Group Board discussed the Group's sustainability initiatives on several occasions, including reviewing progress made in implementing the Sustainability Strategy launched in early 2021 and consideration of various industry initiatives. The Board considered and approved the Group becoming a signatory of the UN PRI.

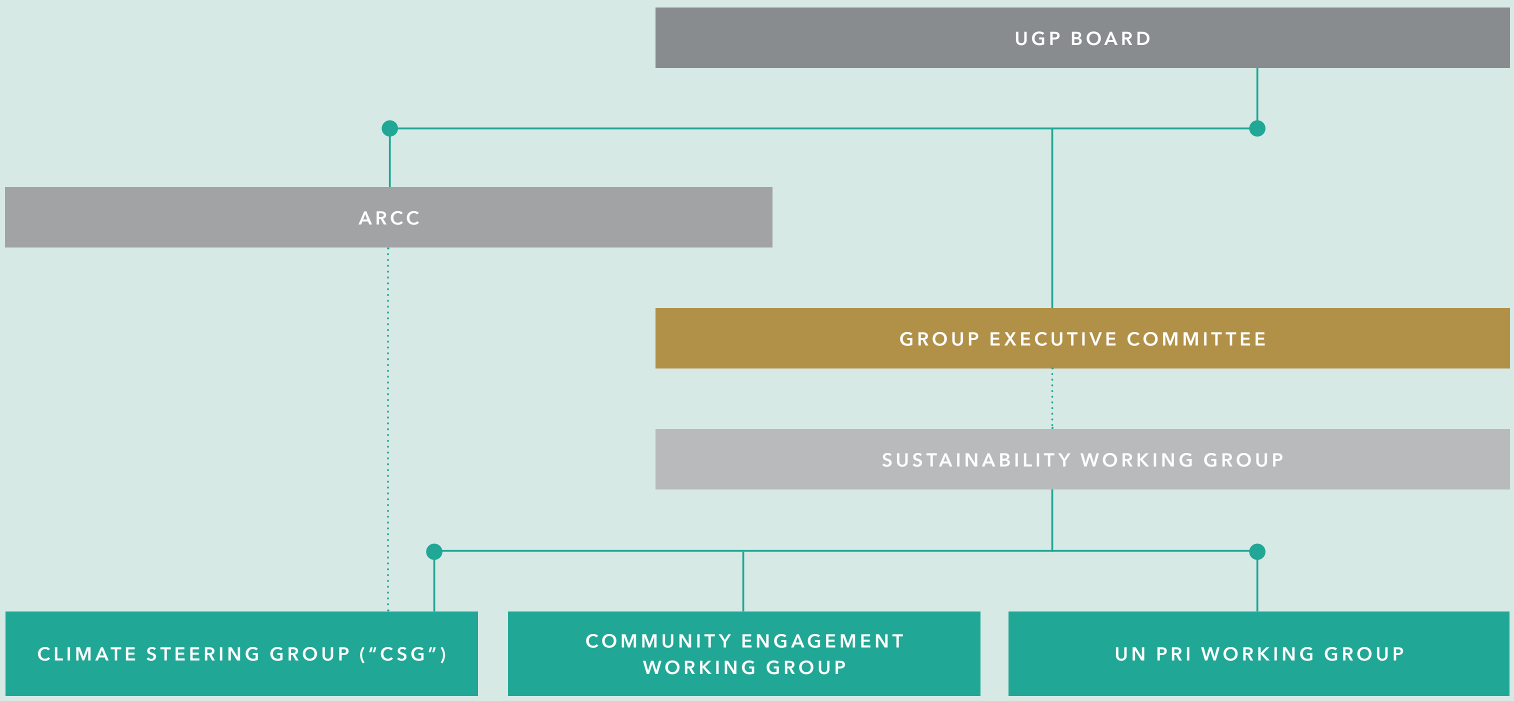
The Board has established the ARCC to assist it in the discharge of its responsibilities. Formal terms of reference have been adopted, a summary of which is available on page 70.

The Group identifies climate change as a key risk to the strategic aims of the organisation alongside the broader risks associated with sustainability. The Group ARCC has oversight of climate-related risks and opportunities.

The Group ARCC met once in 2021 and has five meetings scheduled for 2022. The Group ARCC will take a key oversight role of the internal controls and financial reporting procedures and will be recommending the Annual Report 2021 to the Board for approval, including the TCFD Report.

More information on climate risk can be found in the Risk Management Report on page 50.

GOVERNANCE



Our local Boards and Risk Committees oversee the management of climate-related risks and opportunities. They ensure these are managed in line with our risk management framework, risk strategy, risk appetite and risk profile as well as compliance with local regulatory requirements.

Management Oversight
The Group Executive Committee meets six times a year and is responsible for oversight, management, delivery and reporting of the overall Sustainability Strategy and programme and its underlying climate-related initiatives. Sustainability, incorporating climate-related risk, is a standing agenda item at the Executive Committee.

The Group CEO is the Executive Board Director responsible for the identification, assessment, management and reporting of climate-related risks and opportunities.

Sustainability Working Group
In 2021, the Group established a Sustainability Working Group, which comprises key functional representation from across the business and is chaired by the Head of Strategy and Corporate Affairs. The Working Group meets every month and is responsible for the oversight, delivery, management and reporting of the overall Sustainability Strategy and its underlying environmental commitments including initiatives which are climate-related. The Sustainability Working Group reports to the Group Executive Committee on its activities and progress monthly and at least twice a year to the Board.

Climate Steering Group
The Sustainability Working Group is supported by the CSG which was established in 2021 and oversees the TCFD implementation programme. The broader aim of the Steering Group is to ensure Utmost Group has an integrated approach to managing climate-related risk and opportunities and a strategic approach to managing climate change.

The Steering Group is accountable for the implementation of the climate change strategy including assessing and managing climate-related risks and opportunities. It comprises key executive representatives from across the business and meets monthly. The Climate Steering Group is chaired by the Group Head of Risk and Compliance and reports to the Group ARCC and the Sustainability Working Group.

Future Initiatives
Future work includes implementing and embedding the climate-risk framework in accordance with the Group Sustainability Strategy as well as enhancing the governance framework across the Group to address climate-related risk and opportunities. Initiatives including training will be undertaken to develop the skills and expertise of the Board, Executives and the wider Group.

II. STRATEGY

Sustainability is at the heart of our strategy. Climate change is a pressing issue requiring urgent action and the window of opportunity to tackle it is diminishing. The Group has focused its efforts through committed and pragmatic actions, aligned with our mission to build a brighter future for our clients.

The Group's Sustainability Strategy is framed along four pillars: customer outcomes, environmental impacts including climate-related risks, responsible investments and community engagement. The Group's climate change strategy is incorporated into our Sustainability Strategy.

› Please see our Sustainability Strategy on page 27

The IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels provides emission pathways consistent with 1.5°C global warming. In model pathways with no or a limited overshoot of 1.5°C, net CO_2 emissions decline by 45% from 2010 levels by 2030, reaching net zero around 2050. The Group aims to align its business model to a 1.5°C world, and as such our climate change strategy incorporates a Pathway to Net Zero by 2050.

What have we achieved so far?
- Net zero in our operations using Verified Carbon Standard approved carbon credits
- Committed to a Pathway to Net Zero by 2050 in our shareholder investment portfolio
- Considering the use of low carbon benchmarks in future product development
- Monitoring the progress of the Bank of England Climate Biennial Exploratory Scenarios ("CBES") and using it to guide development of our own climate scenario analysis

SMALL CHANGES EVERY DAY TO MAKE A BIG IMPACT. THROUGH OUR VALUES WE ARE:

INSPIRING
MOTIVATED
PERSONABLE
ADAPTABLE
COLLABORATIVE
TRUSTWORTHY

"To achieve the Group's mission of securing a brighter future for our policyholders and future generations, urgent action is required by individuals, by corporations and by nations to turn the tide on climate change."

PAUL THOMPSON
GROUP CHIEF EXECUTIVE OFFICER

1. Source: IPCC Working Group report, Climate Change 2021: the Physical Science Basis

CLIMATE ROADMAP

H2 2020

Initial scenario work undertaken in the UK business based on PRA 2019 Climate Stresses

FEBRUARY 2021

Sustainability Working Group and Climate Steering Group established

APRIL 2021

Climate change classified as a principal risk for UGP

JUNE 2021

TCFD work commences led by Climate Steering Group

JULY 2021

Pathway to Net Zero commitment; net zero by 2050 in shareholder investments

APRIL 2022

First TCFD Report published

H2 2022

Preparatory scenario analysis to be undertaken based on the PRA CBES

YE 2022

Climate risk framework integrated across Group

TCFD REPORT FOR 2022

Scenario analysis to be incorporated in the TCFD report based on the PRA CBES

Identification of Climate-Related Risk and Opportunities

The decarbonisation of the global economy as it transitions towards net zero poses a number of risks and opportunities to our Group. Utmost Group is exposed to physical climate impacts, low carbon transition risks and potential opportunities. These impacts are summarised in the table below and considered over the following time horizons:

	Description	Timeframe	Impact
PHYSICAL			
Acute	Disruptions and damage to operations due to extreme weather events	Short	– Increased expenses – Operational disruption
Chronic	Chronic changes including temperature rises increase energy consumption and impact mortality and morbidity	Long	– Increased expenses – Operational disruption – Demographic assumption changes
TRANSITION			
Policy and Legal	Changes to climate-related regulation will impact corporations; increased compliance costs	Long	– Decreased profitability
Technology	Write-offs in disrupted technologies, investment in new technologies and change costs	Medium	– Impact on asset performance
Market	Changing client behaviour impacting demand for our products	Medium	– Decreased revenue
Reputation	Perception of not having responded appropriately to climate challenges	Medium	– Decreased revenue – Brand damage
OPPORTUNITIES			
Energy	Use of new technology and lower emission sources to reduce our environmental impact	Medium	– Reduced expenses
Products	Adapting our proposition to client preferences	Medium	– Increased revenue

KEY

SHORT	<5 years
MEDIUM	5-10 years
LONG	>10 years

Impact of Climate-Related Risks and Opportunities on the Group's Businesses, Strategy and Financial Planning

Utmost Group is exposed to climate change across numerous aspects of its business and our processes are being adapted to address climate-related risks and opportunities:

	Proposition How we evolve our product range	Investments How we invest our assets	Engagement How we use our influence	Operations How we operate our businesses
EXPOSURE	Client preferences and behaviours may impact demand for our products	A key source of climate-related risk for our business is our shareholder investment portfolio	The Group can use its scale and influence to support the transition to a low carbon economy and reduce the adverse physical effects	The Group can lead by example through reducing the carbon footprint of its assets and the direct carbon footprint, supporting our long-term resilience
FUTURE ACTION	Adapt product range in response to opportunities	Net zero by 2050 in our shareholder assets with a 50% reduction by 2030	Apply high stewardship standards and mandate our asset managers to engage on our behalf	Continue to be net zero in our operations and take further action to reduce emissions

The Group is building its capabilities with regards to scenario analysis. The CSG is closely following the progress of the 2021 CBES which explores the financial risks posed by climate change for the largest UK banks and insurers. The Group will use the CBES scenarios to guide the approach which the Group adopts to assess the climate risk exposure in its assets and liabilities. The Group will look to build out this analysis in 2022 and it will be useful in guiding our understanding of the Group's exposures to physical and transition risk.

The Group has carried out qualitative analysis of climate-related risks with investments considered to be the most material risk area.

Physical risks are more likely to impact the Group over the medium- to long-term. Chronic physical risks such as increasing temperatures may impact mortality and morbidity as well as increasing the risk of operational disruption across the Group. The demographic assumptions used in modelling our business may change, which could impact the liabilities of our businesses. The Group is exposed to transition risks arising from regulatory and legal changes, market and economic factors and the implications for our reputation. Policyholders may be exposed to transition risks depending on the nature of assets backing their policies. Regulatory and legal changes may impact the value of securities in certain sectors.

Should the Group not adequately respond to the challenges posed by climate-related risk, the Group may face reputational damage, legal challenge or increased regulatory scrutiny. If climate-related considerations are not embedded, organic growth may be adversely impacted should clients and brokers direct business elsewhere. Similarly, the Group is embedding climate-related considerations into its own selection processes as it looks to appoint new asset management partners.

Opportunities available to the Group include developing its proposition in response to client preferences. As awareness of climate change increases there may be opportunities for Utmost Group to offer products and services to meet increased demand and gain competitive advantage.

Our investors' views are important to us as we develop our climate-related risk processes.

Investment Strategy
In considering climate-related risks, the Group's investments can be divided into three main categories:

– Open Architecture
– Guided Architecture
– Shareholder Assets

In relation to climate-related risks, the approach the Group has adopted for each category differs depending on the degree of control the Group has over their management.

– **Open Architecture** – Our policyholders or their advisers select their own investments for products with an open architecture investment style. The Group does not exercise control over these investments.

– **Guided Architecture** – Our policyholders or their advisers select investments from a fund range constructed by Utmost Group for products with a guided architecture investment style. The Group takes account of ESG as a part of its fund selection activity. The Group has expectations of how its asset managers respond to climate change, set out in our Unit Linked ESG Investment Standards which sits under our Investment and Market Risk Policy.

– **Shareholder Assets** – The Group controls the investment allocation of the shareholder asset portfolios and has put in place a Pathway to Net Zero for these assets. The Group measures the carbon intensity of these portfolios and has set a target to be net zero by 2050 when measured by carbon intensity with a 50% reduction by 2030. The Group considers the asset classes, sectors and geographies of its shareholder assets. The overall exposure to climate risk can be reduced by holding investments in asset classes, sectors or geographies with lower climate risk.

– The Group has developed a Shareholder Asset ESG Standard as a part of the Investment and Market Risk Policy to govern how climate change and ESG considerations are embedded into the shareholder assets.

The Group does not operate any blanket sectoral exclusion policies as we do not believe that rapid total divestment is the optimal strategy for either limiting climate change, or other ESG impacts.

The Group became a signatory to the UN PRI in January 2022. This demonstrates the Group's commitment to including sustainability factors in its investment decisions and ownership. Becoming a signatory to the UN PRI demonstrates our commitment to responsible investing and encourages investments that contribute to prosperous and inclusive societies for current and future generations. The Group has previously announced that it will only work with asset managers who are signatories to the UN PRI in the management of its own assets and guided architecture ranges.

Resilience to Climate Change
The Group has limited exposure to investment and mortality and morbidity risk given the nature of its liabilities are predominantly unit linked with limited guarantees.

The shareholder assets are invested in high quality government and corporate bonds. These factors limit the Group's exposure to climate change, should governments achieve their own net zero policies and support an orderly net zero transition in society.

The Group is building out its scenario analysis capabilities. This scenario analysis will measure the Group's exposures and highlight more highly exposed geographies and/or sectors.

Climate Scenario and Potential Related Impacts

CARBON EMISSIONS SCENARIOS	UNDER CONTROL	NOT UNDER CONTROL
GLOBAL WARMING	Non-catastrophic	Catastrophic
IMPACT	Reduced winter deaths Increased longevity	Increased heatwave, drought, famine, extreme weather deaths Increased mortality and morbidity

III. RISK MANAGEMENT

Process for Identifying and Assessing Climate-Related Risks

The Group identifies climate change as a key risk to the strategic aims of the organisation alongside the broader risks associated with sustainability. The Group expects that it has a relatively limited exposure versus industry peers to climate risk given the unit linked nature of its assets and liabilities and its physical locations, and the expected impact on strategy, risk management and governance. Climate scenario work will be undertaken to better understand exposures and it is expected that the focus on climate-related risk will increase over time.

The Group is developing a climate risk framework to ensure consideration of climate risk is embedded across the business. The framework encourages each of the three lines of defence to consider climate risk in their business-as-usual operations. The climate risk framework is being embedded across the Group. This embedding is not limited to risk management processes but will be incorporated into the day-to-day management of the business. The Group's culture is such that employees are encouraged to consider the climate impacts of their business function and decision making.

The Group has elected to take an integrated approach to climate risk and considers it as a causal effect for how other risks may impact on the business. The Group recognises the increased focus of regulators as well as the increasing expectations of employees and policyholders to carefully manage climate risk. As such the Group's focus is increasing and the Group is ensuring it is adequately resourced to manage this risk area.

Policies and Standards

The Group's approach to climate change is set out in its Corporate Social Responsibility policy where the Group's approach to understanding and assessing the financial impact of environmental risks is set out.

The Group is exposed to the risk of not giving sufficient consideration to climate change, especially in relation to investments.

The Group has implemented a Unit Linked ESG Standard and a Shareholder Asset ESG Standard setting out the Group's policy with regards to integrating ESG into its investment decision making. These policies sit under the Investment and Market Risk Policy.

Integration of Climate-Related Risks into the Group's Overall Risk Management

The CSG is a sub-committee of the ARCC, who overview the set of risks to which the Group is exposed. The membership of the CSG is drawn from multiple divisions of the Group and ensures that climate risk is not the preserve of a particular silo and instead encourages initiative from all participants across the three lines of defence risk framework.

Managing Climate-Related Risks

The Group is working to embed its climate risk framework to ensure climate-related risks are captured and assessed. This work will continue as further metrics are developed to monitor and measure these risks.

Next steps

- Embedding the climate risk framework
- Develop climate risk reporting

IV. METRICS AND TARGETS

Utmost Group is committed to achieving net zero across its business by 2050. The Group has set out a Pathway to Net Zero backed up with meaningful actions and intermediate milestones in the years ahead. The Group aims to provide transparency on its progress through regular reporting on key metrics, based on TCFD guidance and best practice, to demonstrate progress towards our goals.

GHG Emissions

The Group measures and discloses its GHG emissions for Scope 1 and 2 (operations) and selected Scope 3 (business travel) each year. These are included in detail on page 61.

The Group's Global GHG emissions in 2021 were 1,153 tonnes of carbon dioxide emissions equivalent basis ("tCO_2e") tonnes or 1.14 tCO_2e tonnes per employee.

In 2021, the Group committed to being net zero in its operational emissions. The Group achieved a net zero operational status for 2020 through carbon offsetting and will do the same for our 2021 emissions. The carbon emissions caused by our organisation will be offset by funding an equivalent amount of carbon savings elsewhere in the world. The Group achieved its net zero carbon status for 2020 through a Tree Buddying Scheme in partnership with Carbon Footprint Limited.

As part of the project, the Group arranged to plant a tree for each of its employees, in parallel with a Verified Carbon Standard deforestation programme. In this way, the Group offset carbon by planting and protecting forests and biodiversity on two continents.

Nonetheless, the Group is cognisant of the importance of reducing its own GHG emissions and various initiatives are underway to achieve this. Ongoing activities to reduce operational greenhouse gas emissions across the Group include sourcing renewable electricity in our offices, a zero single-use plastic policy, increased use of online software to replace business travel and raising staff awareness of the importance of sustainability.

Pathway to Net Zero

The Group is committed to transitioning our investment portfolio to net zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement. The Group has set an intermediate goal to halve the greenhouse gas emissions of our investment portfolio by 2030. The Group is committed to regular reporting to provide transparency to all stakeholders on our progress towards our goal.

The Group is completing a detailed analysis of the individual assets and sectors in its portfolios using carbon intensity and third-party ESG data. This data will be used to assist the Group in setting out detailed plans to achieve net zero in its portfolios by 2050.

ASSETS UNDER ADMINISTRATION
AUA

Assets under Administration is a measure of the assets held by Utmost Group on behalf of its policyholders.

MEASURE

AUA was £63.7bn at YE 2021 increasing by 74% from the £36.7bn at YE 2020, as a result of the acquisition of Quilter International and strong net inflows.

COMMENTARY

"£24.1bn of the increase in AUA results from the completion of the acquisition of the Quilter International business. AUA also increased over the year due to positive market movements, with investment markets ending the year at or above pre-pandemic levels. Strong net flows of £1.5bn were seen in the year including Quilter International, representing gross inflows of £4.8bn offset by outflows of £(3.3)bn."

£63.7bn

LINK TO STRATEGIC GOALS

ANNUAL PREMIUM EQUIVALENT
APE

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

MEASURE

APE was £279m in 2021 compared to APE of £180m in 2020. Our UWS business generated £268m of APE and our UCS business generated £11m of new business.

COMMENTARY

"APE is strong across each of our markets. The APE generated in our newer markets including Asia and LatAm increased strongly, supported by ongoing investment in proposition development. Demand for our products remains strong, driven by the fundamental growth trends in our markets which we expect to continue in future periods."

£279m

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 £42m in 2021, an increase of 40% compared to the 2020 figure of £30m.

COMMENTARY

"The increase in VNB primarily reflects the increase in the quantum of new business written as demonstrated by the increase in APE. 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."

£42m

LINK TO STRATEGIC GOALS

OUR STRATEGIC GOALS

1. GOOD CLIENT OUTCOMES

- The delivery of good client outcomes remains front and centre of our strategy
- Focus on our mission of building a brighter future for our clients and better serving all stakeholders
- Developing our proposition with consistent, reliable client service being key to this objective

2. GROWTH THROUGH ACQUISITIONS

- Add scale to our operations through further acquisitions, focused on our closed UK business
- Acquisitions are subject to extensive due diligence and must meet our strict deal criteria
- The Group has readily available access to significant capital via our shareholders and long-term capital market funding

IFRS OPERATING PROFIT

OPERATING PROFIT

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-recurring items.

MEASURE

Operating Profit was £132m in 2021 compared to £92m[1] in 2020.

COMMENTARY

"The strong increase in Operating Profit primarily reflects favourable insurance results in ULPL driven by the increased scale in our UK business following the acquisition of Equitable Life in 2020, in addition to the continued robust operating profit in Utmost International."

£132m

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 the Group's Guernsey holding companies.

MEASURE

Gross SII EV increased by £933m from £1,642m at the end of 2020 to £2,575m at YE 2021.

COMMENTARY

"SII EV increased due to the acquisition of the Quilter International 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."

£2,575m

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 on an unaudited pro-forma basis as if Quilter International was owned for the whole of 2021 was 94% in 2021 (2020: 95%) and exceeded 90% across all our businesses, as set out in Figure 2 overleaf.

COMMENTARY

"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."

94%

LINK TO STRATEGIC GOALS

1. Restated as detailed in note 2 of the financial statements

3. ORGANIC GROWTH

- Utmost International is a leading provider of international life assurance writing over £4.8bn new business in 2021
- The growth strategy focuses on enhancing our proposition and the provision of good client service including through enhanced online service functionality

4. OPTIMISED AND EFFICIENT OPERATIONS

- Efficient operations across the Group support an improvement in Operating Profit and a lower cost-per-policy
- The Group's growing scale demands focus on efficiency initiatives and streamlining of processes and systems
- Successful integration of acquired businesses is key to the Group's consolidation strategy

"In 2021, the Utmost Group performed extremely strongly despite the ongoing difficulties arising from the Covid-19 pandemic. The financial performance of our existing business was outstanding and we were delighted to announce and complete the acquisition of the Quilter International business during the year.

IAN MAIDENS
GROUP CHIEF FINANCIAL OFFICER

Utmost Group delivered strong results for 2021, in a year in which working patterns continued to be significantly disturbed as the world fought the Covid-19 pandemic.

In this CFO review, the full year 2021 results add the results for the Quilter International companies since acquisition to the Utmost Group plc results for the whole of 2021. They incorporate the operating performance for the month of December 2021 for Quilter International, given the acquisition completed on 30 November 2021. Any synergies generated to 31 December 2021 are included in these results.

The 2020 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, which was put in place on 1 October 2020, had been in place for the whole of 2020, to provide readers with a more meaningful set of comparative figures in order to assess the underlying performance of the Group. The acquisition of the Quilter International ("QI") business did not complete until 30 November 2021, so the Group's Consolidated Statement of Comprehensive Income reflects only one month of ownership of QI. To provide more meaningful information this review also includes pro-forma information as if the QI business had been owned by the Group for the whole of 2021. Pro-forma information is unaudited.

The financial performance of the Group is assessed using a variety of financial measures including our six KPIs (see page 40 of the Strategic Report), each of which is discussed in detail below. These KPIs are considered APMs and are reconciled back to audited IFRS information on pages 133 and 134 of this Annual Report.

ASSETS UNDER ADMINISTRATION

The Group's AUA was £63.7bn at YE 2021, increasing by 74% from the YE 2020 AUA of £36.7bn. £24bn of this increase results from the completion of the acquisition of the QI business on 30 November 2021 with the remaining change resulting from asset performance and net fund flows from clients. 2021 net fund flows were positive in both our original Utmost International business and the acquired QI business as shown in Figure 1 below. The majority of the assets are backing unit linked policies within our UWS and Utmost Life and Pensions businesses, with a small proportion of assets (approximately 2%) backing pension and savings products within the 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 acquisition of Utmost Worldwide Limited ("UW").

The performance of the ULP fund range was strong in 2021. ULP consistently monitors asset performance, including that of the unit linked funds, particularly in relation to the Managed Funds operated by J.P. Morgan Asset Management ("JPMAM"), which form the majority of the unit linked AUA.

FIGURE 1: AUA ANALYSIS SHOWING UWS NET FLOWS (IN £BN)

FY 2021	Closing AUA 31 Dec 2020	Inflow	Outflow	Net Flow	Market	Closing AUA 31 Dec 2021
Utmost	29.3	2.5	(2.0)	0.5	2.0	31.8
Quilter	21.8	2.3	(1.3)	1.0	1.4	24.1
Total Utmost International	51.1	4.8	(3.3)	1.5	3.4	55.9

FIGURE 2: KEY PERFORMANCE INDICATORS

	2021 total £m	2020 total £m
AUA	63,669	36,691
APE	279[1]	180
VNB	42[1]	30
Operating Profit	132[1]	92[4]
SII EV	2,175	1,342
CLIENT RETENTION		
ULP[2]	97%	98%
UWS	94%	95%
UCS[3]	95%	94%
OTHER FINANCIAL HIGHLIGHTS		
IFRS Profit before tax	388	110[4]
Expenses	124	114

1. 2021 APE, VNB and Operating Profit includes one month of Quilter International results, reflecting completion of the acquisition on 30 November 2021.
2. Individual business only excluding Group Additional Voluntary Contribution ("AVC") business.
3. UCS persistency is calculated based on policy count across the UPE and UW entities, excluding the Retirement and Savings business.
4. 2020 Operating Profit and IFRS profit before tax have been restated as detailed in note 2 of the financial statements.

NEW BUSINESS ANNUAL PREMIUM EQUIVALENT

Actual APE was £279m in 2021 compared to APE of £180m in 2020. On an unaudited pro-forma basis, as if QI had been part of the Group for the whole of 2021, APE was £484m in 2021. Our sales and marketing teams did an excellent job working closely with our distribution partners, to grow new business strongly despite the challenges of being unable to meet either distribution partners or clients in person for large parts of the year. Our relationships with our distribution partners remained as strong as ever throughout this period and the sales momentum has continued into 2022 with APE in the first quarter of the year of £116m. Unaudited QI APE was also up strongly in 2021 at £224m compared to £152m in 2020.

On an unaudited pro-forma basis, UWS APE was £473m in 2021 (compared to £165m in 2020), of which QI contributed £224m.

UCS APE was £11m in 2021 compared to £15m 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 2021, Utmost International VNB was £42m, an increase of 40% compared to 2020 when VNB was £30m. The increase in VNB primarily reflects the increase in the quantum of new business written as demonstrated by the increase in APE. 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.

Unaudited QI VNB increased to £26m in 2021 from £5m in 2020, reflecting increased volumes of new business written and significant reductions in expenses resulting from the sale of the business by Quilter plc. Unaudited pro-forma VNB for 2021 was therefore £66m, leaving the Group well placed to deliver its target of increasing VNB to £100m in the next three years.

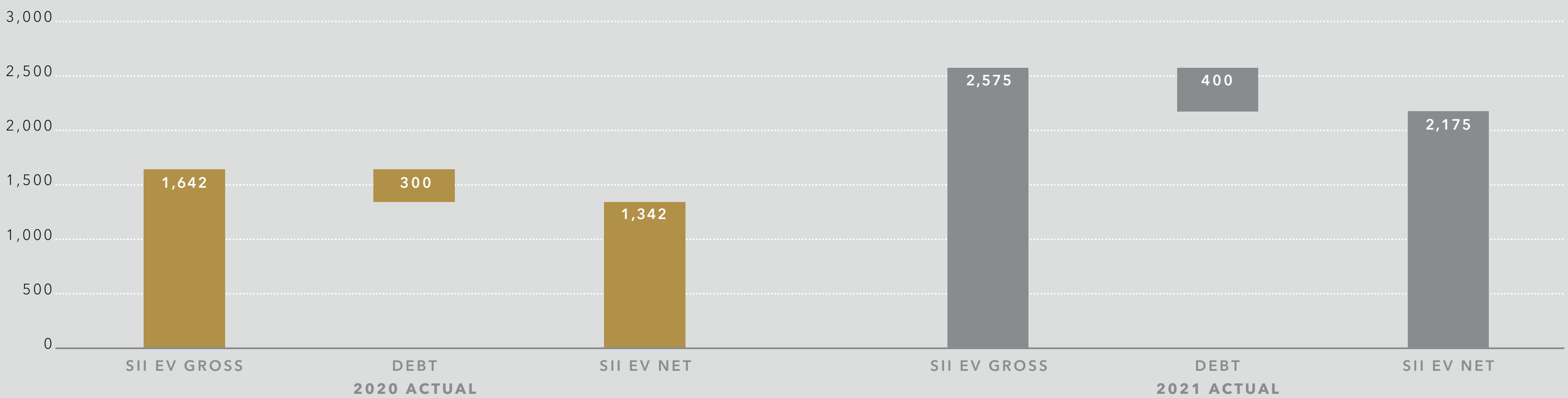
SOLVENCY II ECONOMIC VALUE

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 £1,342m at 31 December 2020 to £2,175m at 31 December 2021. On a gross basis, as shown by the chart below, SII EV increased by £933m from £1,642m to £2,575m. The most significant influence on this increase in gross SII EV was the acquisition of the QI business. The Company's immediate parent company, Utmost Holdings (Guernsey) Limited ("UHGL") provided the Company with £293m of additional equity capital; which together with a £100m increase in the Company's debt and existing excess assets within the Group, funded the remainder of the £481m consideration paid to Quilter plc in relation to the acquisition of QI. The contribution of the QI companies to Gross SII EV at 31 December 2021, which reflects the value of synergies already delivered pre and post legal completion, was £920m. Other strong contributors to the increase in SII EV during 2021 were the writing of profitable new business and the performance of investment markets. As noted above this underlying gross increase was offset by an increase in debt from £300m at end 2020 to £400m at end 2021.

FIGURE 3: UTMOST GROUP SOLVENCY II ECONOMIC VALUE (IN £M)



Subsequent to the 2021 year end, in early January 2022, the Company completed an issuance of £300m 6.125% Restricted Tier 1 ("RT1") capital. Immediately following this issue the Company paid a £290m dividend to UHGL. This dividend allowed UHGL to repay all of its outstanding bank debt and return capital to shareholders. All of the Group's debt liabilities therefore now sit with the Company. Adjusting for the RT1 Issue and dividend to UHGL, the unaudited pro-forma SII EV position of the Group at end 2021 would have been Gross SII EV of £2,581m, debt of £700m and Net SII EV of £1,881m leaving the Group with a 27% debt ratio – well within our 20%-30% Gross SII EV target range.

OPERATING PROFIT

Operating Profit, as an APM, is shown for 2021 on both an actual basis (incorporating one month of profits for the acquired QI business) and on a pro-forma basis as if the QI business had been owned for the full year. The Group's actual Operating Profit for 2021 is £132m, compared to £92m[1] in 2020; this strong increase in Operating Profit primarily reflects favourable insurance results in ULP given the increased scale of the business following the Equitable Life acquisition in 2020.

On an unaudited pro-forma basis, as if the QI business had been owned for the whole year, the Operating Profit for 2021 was £220m reflecting the strong profit performance of the acquired QI businesses during 2021. 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.

CLIENT RETENTION

The Group uses client retention as a non-financial KPI 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 2021.

UWS client retention was 94%. 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 2021 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 continue to increase in 2022/3 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 over the last couple of years 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 or better than our long-term assumptions. We have seen that trend continue into 2022. As expected, 2021 saw further Group Schemes seek to consolidate their pension provision by moving their AVCs away from ULP. Overall, the UK business 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 2021 is £388m, compared to £110m[1] in 2020, as reported in the financial statements. IFRS PBT includes one-off items such as gains arising on bargain purchases, which totalled £310m in 2021. This gain arose as a result of the acquisition of the QI business. The equivalent figure in 2020 was £86m relating to the acquisition of Equitable Life. 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 increased from £857m[1] at 31 December 2020 to £1,450m at 31 December 2021. These figures are both net of debt, with debt representing 22% of gross IFRS equity before debt at 31 December 2021. The £593m increase in IFRS equity during 2021 primarily reflects the additional £293m of equity injected into the business by UHGL during November 2021 and the gain arising on bargain purchase on the QI acquisition. The Company paid £44m of dividends to UHGL during the first half of 2021; UHGL used these dividends to pay down outstanding bank debt.

EXPENSES

On an actual basis, as included in the consolidated financial statements, administrative expenses were £10m higher at £124m in 2021 compared to £114m in 2020, with a breakdown in Figure 4.

The increase in administrative expenses on an actual basis is the net result of a number of factors; primarily the inclusion of one month's expenses (post acquisition on 30 November 2021) in relation to the QI business and increased project costs relating to both the acquisition of QI and the issuance of externally-listed Tier 2 debt by UGP. 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 were broadly stable in 2021 adjusting for the points above.

FIGURE 4: EXPENSES

	2021 £m	2020 £m
Operating expenses	118.8	105.8
Depreciation/Amortisation	5.3	5.6
One-off costs including redundancy	–	3.0
TOTAL	124.1	114.4

1. Restated as detailed in note 2 of the financial statements.

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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 2021 Business Plan using economic assumptions at 30 June with no allowance for the actual performance of investment markets over the second half of 2021 (in practice the actual SII EV at 31 December 2021 was £2,175m, around £160m higher than projected in the plan). The analysis excludes the impacts of new business and does not include approximately £331m of existing capital in excess of capital policies at the 2021 year-end. Total capital emergence over the projected life of the in-force business including this £331m is estimated as £2,859m. 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 £100m to Group holding companies during 2021, albeit approximately £40m of this amount was then used as part of the consideration for the QI acquisition.

Figure 6 below shows the capital impact of writing new business. Figure 6 is on a pro-forma basis including all the new business written by the QI business during 2021. The business invested £34m of capital to support the writing of approximately £4.7bn of new business liabilities in 2021. This is both an absolute and relative increase in capital investment compared to 2021 which is driven by higher new business volumes and the acquisition of QI. New business written in Quilter International Isle of Man Limited ("QIIOM") is currently subject to both Isle of Man Financial Services Authority ("IOM FSA") and Hong Kong capital requirements. For new business the Hong Kong capital requirements are currently more onerous, increasing the capital invested. The increased capital is modest and only temporary, as the Hong Kong solvency regime is due to change in 2024. Removing the Hong Kong capital requirement would reduce capital investment to £21m resulting in a strain of 0.5% and a generation multiple of six times, equivalent to 2020 new business figures. This demonstrates Utmost Group's capital light approach to product design. The new business adds an additional £137m of cash emergence, further enhancing the Group's anticipated capital generation over and above what is shown in Figure 5. This additional return of £137m compares to the VNB of new business written in 2021 of £66m (the difference reflecting the lack of discounting, the inclusion of real-world investment returns and the return of capital invested).

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.

The aggregate cash expected to emerge from the in-force business of £2,859m is expected to be utilised as shown in the table below. This table has been prepared on a pro-forma basis reflecting the RT1 capital instruments issued in January 2022.

Interest on debt capital instruments[1]	£228m	(assumes RT1 repaid at first call date)
Repay debt capital instruments	£700m	
GHO expenses[2]	£190m	
Available for dividend or reinvestment	£1,741m	(to finance new business, finance new acquisitions, or paid to shareholders as dividends)
Total	£2,859m	

1. Net of tax relief.
2. Group Head Office ("GHO") expenses approximated as 30 times long-run expense estimates, net of tax relief.

FIGURE 5: IN-FORCE EMERGENCE OF SURPLUS CAPITAL (IN £M)

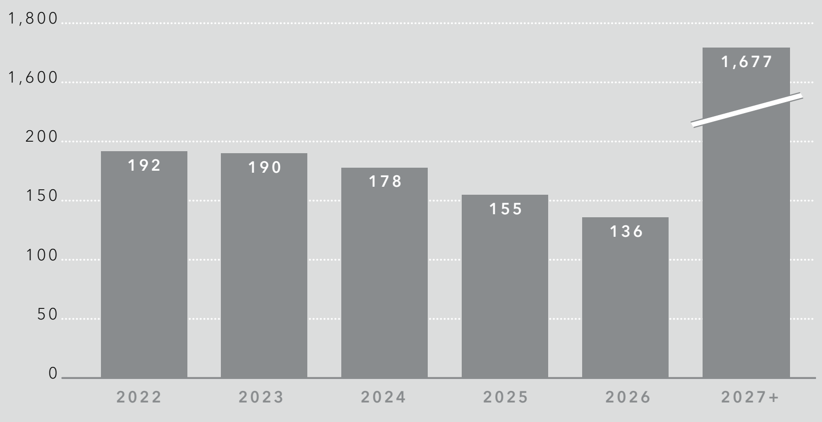
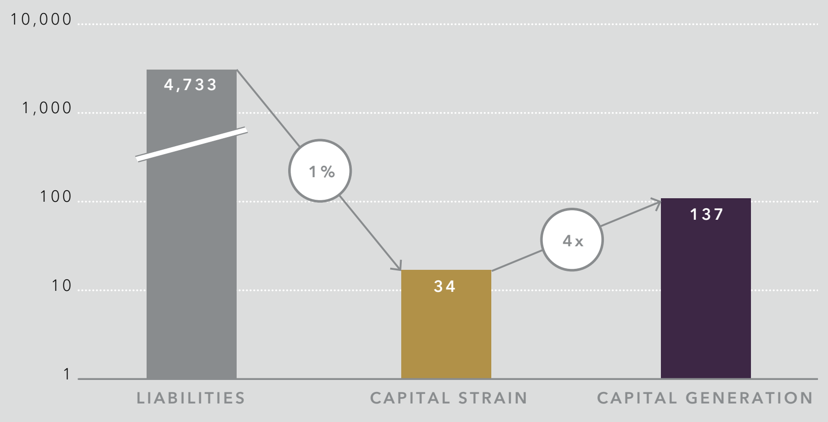


FIGURE 6: CAPITAL IMPACT OF WRITING NEW BUSINESS (IN £M)



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 stressed 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 to cover GHO costs and one year's interest costs on the Group's debt capital instruments. Excess cash not required for these purposes 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, UHGL.

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.

The UK business and the Group are subject to the requirements of PRA Solvency II. The Irish life companies are subject to the requirements of EIOPA 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 PRA 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 PRA 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 and have each adopted capital policies to ensure that this is the case. 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. During the course of 2021, UW agreed a lower capital policy to be applied going forward, consistent with those applying in the other Group life companies.

The capital policies for the various life companies within the Group are summarised in Figure 7 together with their actual Solvency Coverage Ratios as at end 2021. The Solvency Coverage Ratio of each entity at 31 December 2021 was comfortably in excess of its capital policies, as shown in Figure 7.

UW and QIIOM are also required to ensure that they meet the regulatory capital standards in respect of each of their branches. In the case of most of these branches, the branch solvency reporting applies to the relevant branch business only. However, UW and QIIOM currently have to satisfy Hong Kong capital standards on a whole company basis. At 31 December 2021 the Solvency Coverage Ratios of UW and QIIOM on a Hong Kong basis were 526% and 23,990% respectively.

FIGURE 7: ENTITY SOLVENCY AND CAPITAL POLICIES

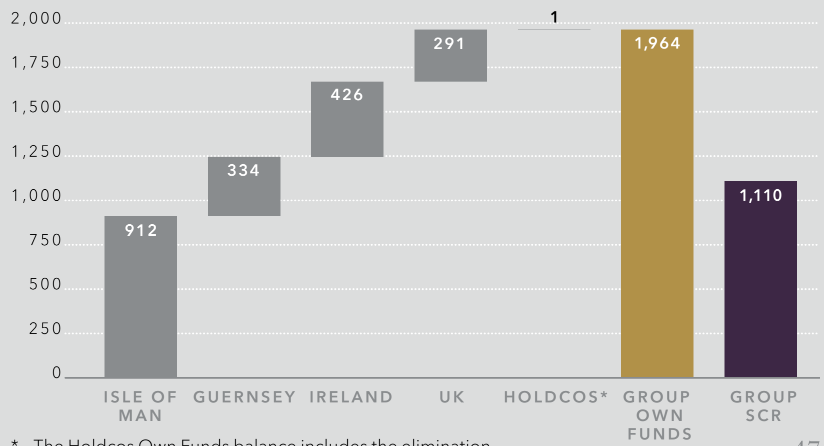
Entity	Solvency Coverage Ratio YE 2021	At all times	Post dividend
Utmost Limited	153%	125%	150%
Quilter International Isle of Man Limited	193%	125%	150%
Utmost PanEurope DAC (inc. WTA[1])	168%	135%	150%
UPE (exc. WTA)	124%	100%	110%
Quilter International Ireland DAC	187%	135%	150%
Utmost Worldwide Limited	173%	135%	150%
Utmost Life and Pensions Limited	184%	135%	150%
Utmost Group	177%	135%	150%

1. Withholding Tax Asset as detailed further in note 17 of the consolidated financial statements.

FIGURE 8: GROUP SOLVENCY II CAPITAL

	2021 £m
Own Funds	1,964
Solvency Capital Requirement	1,110
Solvency Coverage Ratio	177%

FIGURE 9: UTMOST GROUP SOLVENCY POSITION – 2021 ACTUAL (IN £M)



* The Holdcos Own Funds balance includes the elimination of a £20m intragroup Tier 2 loan.

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 Utmost Topco Limited ("UTL") and its subsidiaries. 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). Following the RT1 issue in January 2022 and repayment of all outstanding bank debt there will be no material differences between the "Other Methods" reporting to the PRA and the Central Bank of Ireland ("CBI") and the full Group reporting undertaken by UGP.

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 2021, the Group maintained its strong capital position, with a Group Solvency Coverage Ratio of 177% at 31 December 2021 and Own Funds of £1,964m. 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 2021.

SENSITIVITY ANALYSIS

The Group has an extremely resilient solvency position due to the active management of key risks. The Solvency Capital Requirement ("SCR") coverage ratios of each of our operating life companies, and of the Group itself, were in each case net of expected tax relief very stable throughout 2021. The modest reduction in the Group Solvency Capital Requirement coverage ratio from 183% at 30 June 2020 largely reflects the use of excess assets within the business as part of the consideration for the QI business.

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 ("VIF") business ratio of shareholder assets, reduced 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 (including the impact of inflation on expense levels). 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 or 2021 as a result of either the Covid-19 pandemic or its impact on investment markets and the socio-economic environment generally.

The solvency sensitivities shown in Figure 10 and 11 below have been prepared on a pro-forma basis as if the RT1 issuance completed in early January 2021 and the associated dividend to UHGL had been completed on 31 December 2021.

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

FIGURE 10: SOLVENCY COVERAGE RATIO SENSITIVITIES
(31 DECEMBER 2021)

SOLVENCY COVERAGE RATIO = 177%

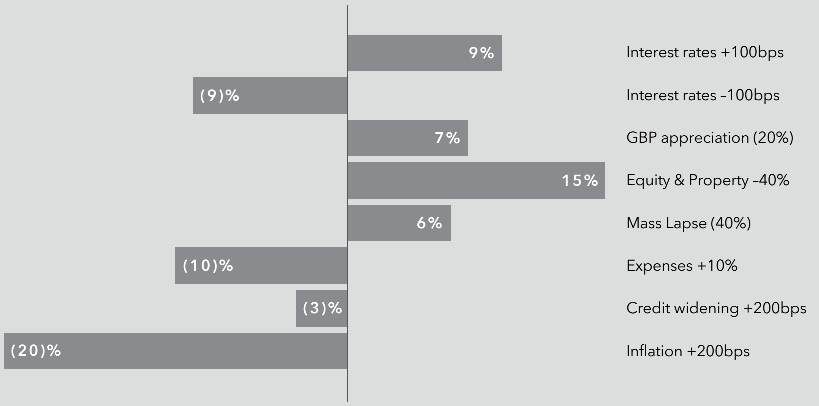
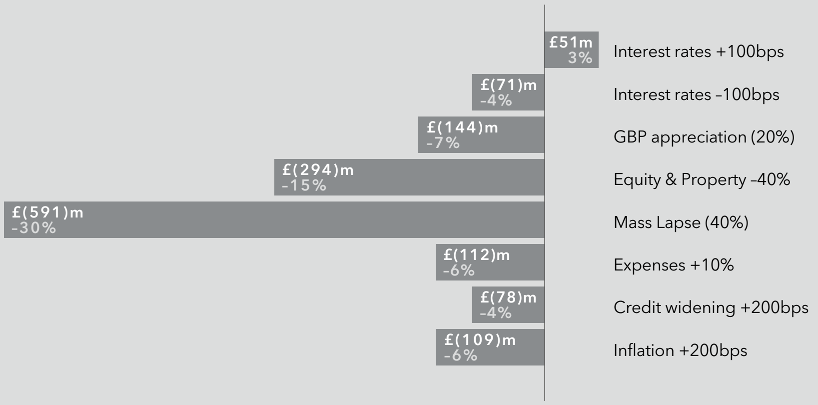


FIGURE 11: OWN FUND SENSITIVITIES
(31 DECEMBER 2021)

OWN FUNDS = £1,964M



ACQUISITION ACTIVITY
The Group completed its acquisition of the QI business on 30 November 2021.

The total fair value of assets acquired as a result of the acquisition of the QI business was £25,125m. This exceeded the fair value of liabilities assumed of £24,336m, giving rise to a "Gains arising from bargain purchases" of £310m in the Statement of Comprehensive Income after accounting for the consideration paid of £481m.

BORROWINGS
Following the RT1 debt issuance which completed in January 2022, the Group now has only two debt instruments in place: a £400m 4.0% Tier 2 loan note issued in September 2021 and a £300m 6.125% RT1 loan note. Both instruments are listed on the Global Exchange Market ("GEM") in Ireland.

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 2021, the leverage ratio was approximately 16% and was 27% on an unaudited pro-forma basis allowing for the RT1 issuance in January 2021 and the subsequent £290m dividend to UHGL.

CREDIT RATING
The Utmost International operating subsidiaries maintained their Insurer Financial Strength ratings of "A" with a Stable Outlook throughout 2021. This reflects the strong capitalisation and stable leverage ratios of the Group. The Group has an Issuer Default Rating of BBB+. Immediately following completion of the acquisition of the QI business, Fitch assigned Insurer Financial Strength ratings of "A" with a Stable Outlook to QIIOM and QIID. Fitch rated UGP's Tier 2 notes BB+ with a Stable Outlook.

POST-BALANCE SHEET EVENTS – ISSUE OF RT1 NOTES AND ASSOCIATED DIVIDEND
On 25 January 2021, UGP issued £300m of 6.125% perpetual RT1 notes with a first call date of 15 December 2028. Fitch rated UGP's RT1 notes BB with a Stable Outlook. Immediately following receipt of the £296m net proceeds of the issuance, UGP paid a dividend of £290m to UHGL.

SUMMARY
The Group has made strong progress in 2021. 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

"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."

IAN MAIDENS
GROUP CHIEF FINANCIAL OFFICER

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The Utmost Group Enterprise Risk Management ("ERM") Framework embeds a strong and effective risk management across the operating businesses. It is used to make informed business decisions by ensuring that, risks are understood and managed effectively and that Utmost Group is appropriately rewarded for the risks it takes.

Utmost Group's ERM Framework is continually evolving to reflect the risk environment and emerging best practice. It embeds proactive and effective risk management in the operating businesses by maintaining risk management functions and structures in a largely devolved model, whereby direct oversight is conducted by the respective subsidiary boards and committees and reported to the UGP Board (the "Board"), as appropriate.

The framework has been developed in proportion with the scale and complexity of the Group's operating model, while allowing the Board to:

– Establish its strategy towards risk taking
– Oversee the communication and monitoring of adherence to the approved appetite for risks, and
– Oversee the overall system of internal control in the operating businesses.

RISK CULTURE

A core objective of the ERM 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 Group and operating business strategic planning process and Own Risk and Solvency Assessment ("ORSA") process must be aligned 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 the 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 in achieving its strategic objectives by supporting the operating businesses with improved client and shareholder outcomes. This is achieved 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 UNIVERSE

The main risks that the Group is exposed to are identified and categorised in a Group Risk Universe Map, which forms the basis upon which the Group ERM Framework operates. This provides a common language to enable:

– the Board to articulate their risk strategy for types of risk that the Group is exposed to through the operating businesses' activities.
– alignment of identified assurance actions (risk, compliance and internal audit) to a risk category, which will help when evaluating aggregate risk exposure for different categories of risks across the Group.
– consistency across the operating businesses when embedding risk appetites, setting limits and reporting risk exposures.
– combining risk exposures across the operating businesses against the predefined categories at a Group level, as and when required.

RISK APPETITE

Risk appetite is the level of risk that Utmost Group is willing to accept in pursuit of its strategic objectives. The Board articulates its risk appetite and risk preferences in the Group Risk Appetite Statement ("G RAS"). The G RAS is cascaded to the operating businesses and they tailor their own risk appetite statements within the boundaries of the G RAS.

The subsidiary boards tailor their own risk appetite statements within the boundaries of the risk appetite set by the Board. Utmost Group embeds its risk appetite into the key decision-making processes by defining consistent risk metrics (including limits and key risk indicators) to ensure that its risk profile is managed within the stated appetite, triggering consideration of appropriate actions when the metrics reach or exceed defined criteria.

THE GROUP'S ENTERPRISE RISK MANAGEMENT FRAMEWORK

BUSINESS STRATEGY

GOVERNANCE BOARDS AND COMMITTEES

RISK UNIVERSE (OPERATIONAL, INSURANCE, FINANCIAL, STRATEGIC & OTHER RISKS)

RISK APPETITE

POLICY FRAMEWORK

IDENTIFY
- Risk Universe
- Risk Incidents
- Root Cause Analysis ("RCA")
- 2nd Line Assurance
- 3rd Line Assurance

ASSESS
- Risk Scoring
- Quantitative Assessment
- Risk Appetite Alignment
- Analysis of Loss Data
- Risk and Control Self-Assessment Process
- Stress & Scenario Testing

MANAGE
- Risk Register
- Risk Incident Process
- RCSA Process
- Enterprise Risk Profile
- Risk Mitigation
- Emerging Risks
- Capital Management

MONITOR
- Risk Incident Monitoring
- Risk Reviews
- 2nd Line Assurance Reviews
- 3rd Line Assurance Reviews
- Annual Attestation

REPORT
- Board & Committee Risk Reports
- Valuation Reports
- ORSA Reports
- SFCRs
- Compliance Reports
- Audit Reports

RISK CULTURE

OWN RISK SOLVENCY ASSESSMENT

GROUP RISK UNIVERSE MAP

GROUP RISK UNIVERSE MAP

EXTERNAL ENVIRONMENT RISKS

- GEOPOLITICAL & MACROECONOMIC RISKS
- SOCIAL & ENVIRONMENTAL RISKS
- TECHNOLOGICAL RISKS
- REGULATORY/LEGISLATIVE CHANGE RISKS

FINANCIAL & INSURANCE RISKS

- CREDIT RISK
- LIQUIDITY RISK
- INVESTMENT & MARKET RISK
- CAPITAL RISK
- INSURANCE RISK

BUSINESS & STRATEGIC RISKS

- DISTRIBUTION
- ACQUISITION
- GOVERNANCE
- BRAND

OPERATIONAL & COMPLIANCE RISKS

- INTERNAL & EXTERNAL FRAUD
- CLIENTS, PRODUCTS & BUSINESS PRACTICES
- BUSINESS & SYSTEMS DISRUPTION
- EXECUTION DELIVERY & PROCESS MANAGEMENT
- EMPLOYMENT PRACTICES
- DAMAGE TO PHYSICAL ASSETS

RISK GOVERNANCE

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 Group policies, and risk management and assurance processes. 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 governance structure and activities of the Committees is set out in the Governance Report from page 68 onwards.

Risk taking activities in the operating businesses are governed by the three lines of defence mode, which is widely used within the financial services industries. This model separates ownership and management of risk from oversight and independent assurance as shown below:

RISK MANAGEMENT PROCESSES

The Group evaluates its principal and emerging risks and decides how best to manage them to keep within the approved risk appetite. The operating businesses regularly review their risks and produce reports for their subsidiary board committees, to provide assurance that material risks are being appropriately mitigated. The Group and its operating businesses use the identification and assessment of the risks to which they may be exposed to calculate how much capital is required to be held in relation to those exposures, in alignment with the applicable solvency regulations. 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 subsidiary boards that individual risk exposures and changes to our risk profile are being effectively managed.

OWN RISK AND SOLVENCY ASSESSMENT

The Group ORSA is the primary means by which the Board and other key stakeholders are provided with a comprehensive understanding of the Group's risk profile and expected capital needs over its business planning period. The analysis, findings and recommendations. from the ORSA are therefore a key part of the Board's strategic decision-making process and the way In which these decisions are Implemented by senior management.

Equally, the Group's current strategic objectives, business plan and target risk profile are also key inputs into the scope and focus of the ORSA. The Board together with senior management play a significant and ongoing role in determining the set of scenarios which will be included in the ORSA, the assumptions for each of these scenarios and the criteria against which the results will be assessed.

THREE LINES OF DEFENCE

1

FIRST LINE OF DEFENCE

Own and manage the risks

The first line of defence is operational management who perform day-to-day operational activities and self-assessment of their risks.

2

SECOND LINE OF DEFENCE

Oversee and provide specialist support

The second line of defence are primarily the Risk and Compliance functions, who monitor compliance with the risk management framework and perform independent oversight of operational management and risk-taking activities.

3

THIRD LINE OF DEFENCE

Independent process assurance

The third line of defence, provided by Group Internal Audit, is the independent review and challenge to the level of assurance provided by operational management and the controls functions (first and second line).

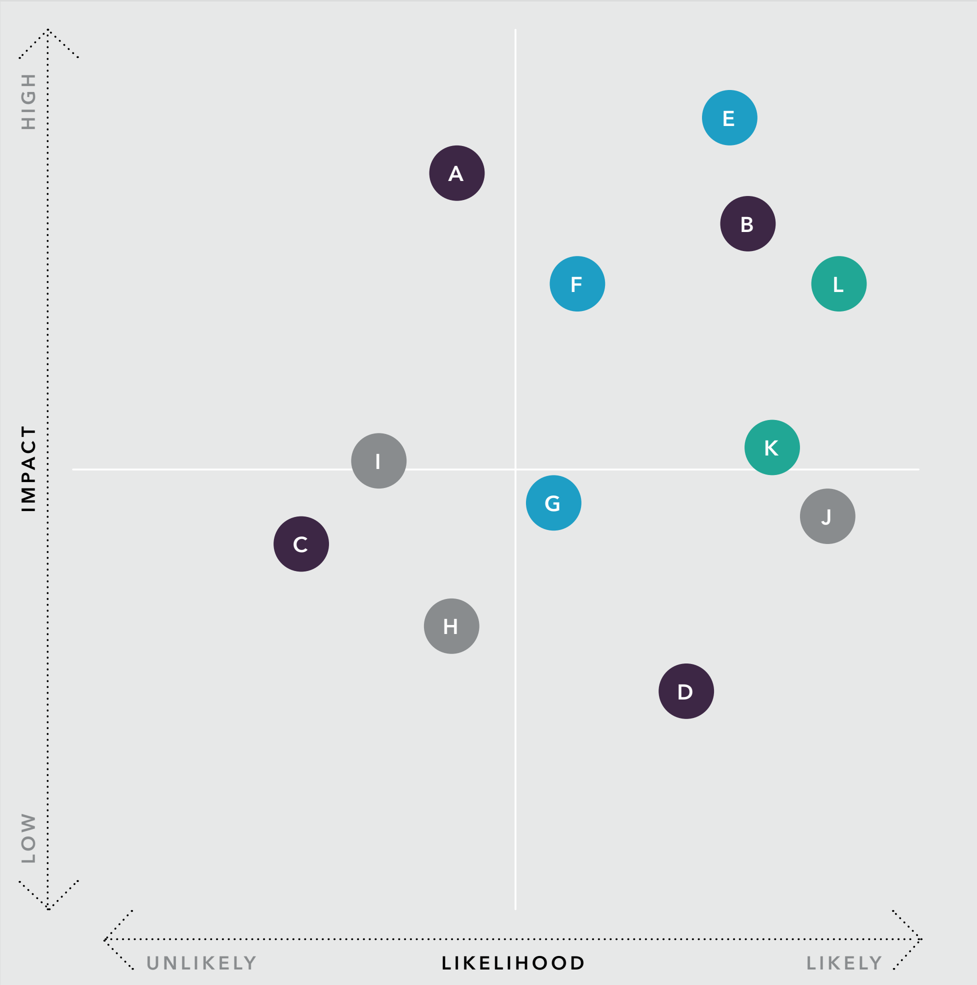
FINANCIAL AND INSURANCE RISKS	DESCRIPTION	MITIGANT
INSURANCE RISK	The Group is exposed to insurance risks when its operating businesses have unfavourable experience, including policy lapses and client retention, client mortality, morbidity, and longevity and business expenses. The Group is also exposed to counterparty risk when transferring insurance risk to third-party reinsurers.	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. 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. 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. Notable exposures exist to Scottish Widows and Generali.
MARKET RISK	The Group is exposed to market risk through shareholder investments and AMCs on policyholder investments. 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. 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. 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.	Utmost Group accepts that it is exposed to liquidity risk through its financial management of all of its business activities. It expects that sufficient liquidity is maintained at all times so that UGP and its operating businesses can meet their respective obligations as they become due, normally by maintaining sufficient cash to pay its liabilities. Utmost Group's Credit and Liquidity policy sets out the liquidity risk limits and forecasts its cash and liquidity position to ensure that it can service its debt requirements and meet expenses due.
CREDIT RISK	The Group is exposed to credit risk through investing its own financial assets with counterparties.	Utmost Group has an appetite for credit risk as part of normal business operations and its shareholder investment strategy. However, it does not have an appetite for large credit risk losses and aims to manage this risk by: implementing counterparty risk limits; investing in counterparties with low risk of default; adopting a risk-based and diversified investment strategy, including geographical, asset type and counterparty investment concentration limits.

OPERATIONAL AND COMPLIANCE RISKS	DESCRIPTION	MITIGANT
CYBER AND INFORMATION RISK	Cyber-crime continues to be a threat for all organisations, but especially those that hold client personal information. Cyber-criminals are becoming ever more sophisticated and intrusive, with high profile ransomware incidents becoming widely publicised. A prolonged cyber-incident could lead to financial losses, regulatory intervention and/or damage to the Group's reputation and brand.	The Group relies on a range of IT systems and client servicing is increasingly carried out online. The Group appointed a Chief Technology Officer in Q2 2021, to be responsible for overseeing and implementing a Group Technology Target Operating Model to develop consistent processes and practices for our IT platforms in our International businesses. The operating businesses are developing cyber-security plans and controls aligned to the IS027001 standards, to mitigate security and cyber-risks.
OUTSOURCERS AND THIRD-PARTY RISKS	The Group is exposed to operational risk arising from inadequate or failed internal processes, people, system failures or external events. Losses from events such as fraud, litigation, damages to premises and failure to comply with regulations are all covered within this definition. The Group uses specialist outsourcers to provide some operational capability, but retains its client service teams in-house. It uses third-party suppliers to support the delivery of some of its core operational processes.	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 clients including, process failures, system malfunctions, and external incidents (e.g., pandemics, weather-related events, utility failures etc.). Regulatory focus continues to be placed on all financial services organisations and new UK regulatory requirements have been introduced, placing increasing obligations on Boards and senior management to ensure that a high degree of attention is being put into operational resilience, with a particular focus on dependency on outsourcers and third-party suppliers. Utmost Group is aligning its policies and processes to meet regulators expectations. Relationships with third parties are actively monitored to ensure operational readiness and oversight mechanisms are in place to ensure preparedness of our critical and important outsourcers and suppliers.
PEOPLE RISK	The Group is exposed to operational risk if it fails to retain or attract a diverse and engaged workforce with the skills needed to deliver its strategy. Prolonged remote working, caring responsibilities and illness resulting from the pandemic are placing increased demands on the workforce. A move to flexible working across many organisations has increased the number of external opportunities that are not location dependent, with the potential for the Group to lose key individuals as a result.	Delivery of the Group's strategy is dependent on a talented, diverse and engaged workforce, including the founders who act as Group CEO and Group CFO, playing a key role in setting the overall direction and 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. The Group and operating businesses continue to review the local job markets and align employee working practices and benefits with the business strategy and the recruitment market.

BUSINESS AND OTHER RISKS	DESCRIPTION	MITIGANT
DISTRIBUTION RISK	The Group is exposed to distribution risk from new business through both UWS and UCS and the Quilter proposition. This includes exposure to risks associated with money laundering and mis-selling. The growth anticipated in the Group's Business Plan 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 tailors 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. 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 works closely with the brokers and with GEB on product development and to ensure our offering remains compelling and relevant. Utmost Life and Pensions Limited is a closed book. The Quilter proposition includes a Singapore-based advisory firm selling an open market range of products which introduces an additional element of advice risk. Strong compliance controls and regular reporting are in place to ensure compliance with the prevailing regulations. Also, provider concentration risk arising from a larger market share may lead to some business partners reducing overall sales of Utmost Group products.
ACQUISITION & INTEGRATION RISK	The Group is exposed to the risk of failing to drive value and agreed benefits through acquisitions. 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. The agreed criteria are 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. This due diligence helps ensure acquired businesses contribute to the delivery of our strategic goals including good client outcomes and the delivery of synergies. Financial risks are assessed, and potential benefits are quantified. Integration projects ensure day-one control is in place and have periodic reviews to ensure senior management visibility and early identification of any amendments to budget or timescales. The Group's operating businesses continually review operational capacity to deliver integration activities.
CLIMATE CHANGE AND WIDER ESG RISK FACTORS	The Group may be exposed to Financial and Insurance risks related to climate change as a result of potential implications of moving to a low carbon economy. If the Group fails to appropriately prepare for and manage the effects of climate change and wider ESG factors there are potential longer-term reputational, propositional, operational and regulatory implications	During 2021 the Group has continued to enhance 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' insurance and savings policies, 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 are continuing to 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 26. The PRA have introduced new requirements for firms to identify and manage financial risks from climate change. Utmost Group are aligning their risk management processes to incorporate the new requirements.

STRATEGIC AND EXTERNAL ENVIRONMENT RISKS	DESCRIPTION	MITIGANT
REGULATORY CHANGE AND SUPERVISION RISK	Changes in regulation and legislation could result in non-compliance with new requirements that could impact our operational, financial or solvency position. 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. Utmost Group in its current form was established in October 2020 following the completion of the Group reorganisation and is subject to Group Supervision by the PRA. The operating businesses come under the jurisdiction of various financial services regulators, including the PRA, the Financial Conduct Authority ("FCA"), the IoM FSA, the CBI, the GFSC, the Hong Kong Insurance Authority, the Monetary Authority of Singapore and the Dubai Financial Services Authority. The Group's operating businesses undertake proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows them to assess the potential implications of the changes, for their clients and their business, and take the necessary action to implement any new requirements effectively, within the required timescales. 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. Any tax changes would likely apply on a forward-looking basis, rather than retrospectively to the back-book. The size, scale and financial strength of 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.
TECHNOLOGICAL AND DIGITALISATION RISK	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 has 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 and Management continues 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.

PRINCIPAL RISK MAP



FINANCIAL & INSURANCE RISKS

A Insurance Risk
B Market Risk
C Liquidity Risk
D Credit Risk

OPERATIONAL & COMPLIANCE RISKS

E Cyber and Information Risk
F Outsourcers and Third-Party Risk
G People Risk

BUSINESS & OTHER RISKS

H Distribution Risk
I Acquisition and Integration Risk
J Climate Change and Wider ESG Risk Factors

STRATEGIC & EXTERNAL ENVIRONMENT

K Regulatory Change and Supervision Risk
L Technological and Digitalisation Risk

We report here on how our directors have performed their duty under section 172(1) of the Companies Act 2006 ("s.172"). The Board has direct engagement principally with our employees, shareholders, debt investors and regulators, and is also kept fully apprised of the material issues of other stakeholders through reports from the executive directors, senior management and external advisers. Through this stakeholder engagement, the Board can understand the impact of its decisions on key stakeholders and ensure it keeps abreast of developments that need to be factored into strategy discussions and decision making.

The directors consider, both individually and collectively, that they have acted in the way they consider in good faith would be most likely to promote the long-term success of the Company for the benefit of its members as a whole, whilst having regard to the matters set out in s.172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year being:

A the likely consequences of any decision in the long term

B the interests of the Company's employees

C the need to foster the Company's business relationships with suppliers, customers and others

D the impact of the Company's operations on the community and the environment

E the desirability of the Company in maintaining a reputation for high standards of business conduct

F the need to act fairly as between members of the Company

This statement draws upon information contained in other sections of the Strategic Report as indicated above and overleaf.

RELATIONSHIP WITH STAKEHOLDERS

The Board recognises the importance of effective engagement with our key stakeholders in the success of the Group. Our key stakeholders are identified on the following pages with an explanation of why they are important to our business, what is important to them, and how the Board has responded to any issues raised.

CLIENTS

Why are they important?
Our mission is to build a brighter future for our clients and support them in creating strong financial futures. Clients are therefore at the heart of our decision-making processes. There are two key client stakeholder groups:

- **ULP Customers**, who are approaching, at, or in retirement and saving for their future.
- **Utmost International Clients** who are affluent, HNW and UHNW individuals looking to protect and pass on their wealth.

What is important to our clients
Outstanding service, use of a reputable provider, financial stability, strength of proposition, technical expertise, and value for money.

How we engage
We engage directly with clients through our corporate communications, information fact sheets, website and customer service teams. In the Utmost International business, our primary engagement is through advisers who support clients in finding the best solutions to manage their wealth. Advisers include private banks, Independent Financial Advisers, and wealth managers for whom excellent service is key to a seamless experience and good outcomes for clients. We also engage with research companies who collect thoughts and opinions of individuals, helping the Board to understand how the Group is delivering its services and meeting the needs of our target clients. No specific client issues have been raised during the year that require the Board's attention, although the Board has monitored the reaction of clients and partners to the news of the Quilter International acquisition.

INVESTORS

Why are they important?
Our investors have invested capital to finance the business and enable us to work towards our mission to build a brighter future for our clients. There are two categories of investors:

- **Equity Investors:** Funds managed by Oaktree and the Founders
- **Debt Investors**

What is important to our investors
Financial stability, economic value, consistency of returns and robust risk management processes to protect their asset.

How we engage
The CEO, CFO, and Oaktree representatives hold director positions. Management meets regularly with Oaktree in addition to formal Board meetings. Biannual results presentations are held for debt investors.

Should debt investors request direct engagement, Board members will consider the request, and attend meetings if appropriate and in compliance with the relevant legislation. Significant engagement was undertaken throughout the year to engage with equity investors in relation to the acquisition of Quilter International, as described in the examples of key decisions made, on page 69.

EMPLOYEES

Why are they important?
The team of employees at Utmost deliver outstanding service to clients and ensure that the business operates effectively.

What is important to our employees?
To feel understood and valued, to have the ability to develop, to be enabled to propose and deliver positive changes within their work, to be part of a growing business with ambitious plans for the future.

How we engage
Our line managers engage directly with staff day to day and our leaders are regularly involved in open forum communication events. We share information using various channels such as Group and local intranets as well as social media platforms. We gather feedback using a range of techniques such as structured employee surveys and engagement with employee representatives as well as more information formal channels through line management and HR.

What issues have been raised during the year and how have we responded?
Covid-related issues have been a major element in 2021, in terms of managing sickness, looking after our employee's wellbeing and homeworking. We have ensured that we communicate regularly with leaders and staff, been supportive where working from home due to infection has been required both individually and more widely, and proactively managed our work locations in line with local government guidelines. Our clarity around being an office-based business whilst allowing for individual situations, has ensured that our staff do not have to deal with an ambiguous working environment. The acquisition of the Quilter International business naturally led to staff questions, which were primarily answered through open and ongoing engagement by our leadership team.

REGULATORS

Why are they important?
The Group is supervised by the PRA and the insurance entities are regulated by the FCA, PRA, IoM FSA, CBI, GFSC and other local regulators in branch locations. Maintaining good relationships with our regulators is essential to the success of the business.

What is important to the regulators?
Excellent client outcomes, robust risk management systems and internal controls, financial stability.

How we engage
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 PRA conducts periodic reviews, the outcome of which are periodic summary meetings. The Board reviews the feedback as appropriate, and no material issues have been raised during the year.
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.

COMMUNITY

Why is this important?
The Group has significant operations in the Isle of Man, Ireland, Guernsey and the UK. 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.

What is important to them?
Sustainability, support of local initiatives including charitable and sporting activity and maintaining and improving the local environment.

How we engage
Initiatives are undertaken in each business to ensure localised support. These include fundraising events for local staff-selected charities, 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. The Group also supports local sports teams and clubs and are proud to be able to contribute to their success. No specific issues have been raised through the communities in which we operate that warrant the Board's attention.

ENVIRONMENT

Why is this important?
Utmost Group is dedicated to securing the financial futures of both present and future generations. It is vital that the Group continues to assess its own business model and investment portfolio for sustainability risk exposures and that our own values and culture enable our organisation to navigate these risks in the future.

What is important?
Reduction in the Group's environmental impact, protection of the environment and taking action to work towards mitigating the effect of climate change.

What we do
During the year the Board has reviewed and approved ESG metrics underlying the Investment and Market Risk policy, set a portfolio target to halve carbon emissions from its shareholder assets by 2030, and committed to net zero by 2050. In connection with this activity the Board approved Management's proposal to become a signatory to the UN PRI and join the IIGCC.

We take committed action to reduce our environmental impact. As the business grows, we continue to identify ways to work more efficiently and reduce our impact, and we offset all operational carbon emissions resulting in a net zero operational footprint. Further information is set out in the sustainability section on page 26.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

The Group has measured its Greenhouse Gas ("GHG") emission sources on a tCO_2e basis in respect of the Group's operations, in accordance with the UK Government's SECR Guidance and as required under the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013. The GHG emissions have been assessed following the ISO 14064-1:2018 standard and GHG Protocol and the Group has used the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs ("Defra") and the Department for Business, Energy & Industrial Strategy ("BEIS"). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage.

Utmost Group has reported its market-based emissions in 2021 and the operational control approach has been used. The Group has decided to use 2021 as its base year moving forward. The data included in the 2020 Annual Report was reported on a different basis, using a location-based emission approach. For 2021 and future periods a market-based emission approach will be followed.[1] As such the 2020 data is not directly comparable to the 2021 data and has not been included here.

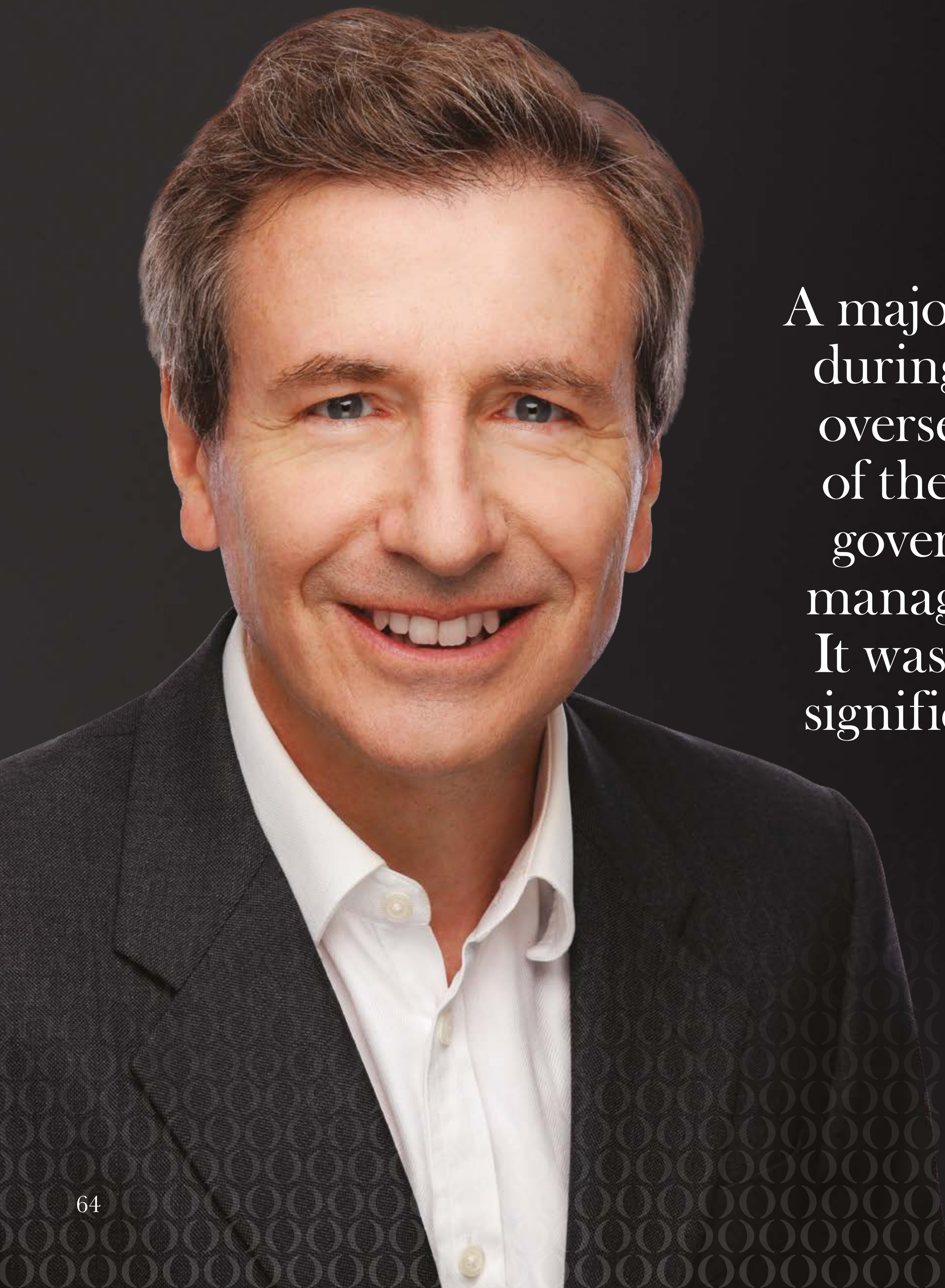
The table to the right fulfils the requirements of the SECR framework, including our operational energy and carbon emissions. Utmost Group will be offsetting these emissions through a Verified Carbon Scheme. Utmost has introduced a number of environmental initiatives throughout 2021 to reduce operational emissions. Details can be found in the sustainability section and TCFD Report.

UTMOST GROUP MARKET-BASED EMISSIONS:

Activity	2021 Emissions (UK operations only)	2021 Emissions (Global)
Total energy consumed (kWh)	1,343,061[2]	4,108,103[3]
Total CO_2e emissions (in tonnes)	449.64	1,152.62
Scope 1	0	200.33
Scope 2	424.41	705.71
Scope 3	25.24	246.58
Full Time Employees ("FTE") (as at 31 December 2021)[4]	175	1,009
Intensity ratio (tCO_2e/FTE)	2.57	1.14

1. The location-based approach reflects the average emissions intensity from electricity coming from the national grid supply. A market-based approach reflects emissions from electricity that companies have purposefully chosen. This method utilises supplier-specific factors as a preference, with residual factors being used where supplier-specific factors are not available. The market-based approach reflects Utmost's decision to utilise renewable energy sources where possible.
2. Total UK energy consumption includes any emissions generated from UK operations for electricity, site gas, and employee-owned vehicles (grey fleet), in line with the requirements for SECR.
3. Total Global energy consumption includes global electricity, global site gas, gas oil and employee-owned vehicles ("grey fleet").
4. For 2021, the FTE number is a weighted average of employees across the year. This is to ensure that the addition of the Quilter International colleagues in December 2021 does not unfairly bias the data. The actual FTE employee number is 1,521.

Governance



"A major focus of the Board during the year has been overseeing the evolution of the Group's system of governance and its risk management framework. It was pleasing to see the significant progress made during 2021.

JAMES FRASER
CHAIRMAN

Dear Shareholder

On behalf of the Board I am pleased to present this Corporate Governance Report, my first since becoming an independent non-executive director and Chairman of the Group in October 2021.

Following the reorganisation of the Group in October 2020 which brought together the Utmost International and Utmost Life and Pensions businesses under the Company's ownership, the Company has been developing its system of governance to ensure that it is able to continue to support the Group's growth trajectory.

BOARD COMPOSITION

There have been several changes to the Board during the year, required to continue the evolution of our system of governance. Oaktree nominated Katherine Ralph to become their second shareholder appointed non-executive director in February 2021. In addition to my own appointment as an independent non-executive director and Chairman in October, Gavin Palmer was appointed as an independent non-executive director in July 2021 and has since been appointed Chairman of the Group's ARCC. Biographies of all directors are available overleaf.

INDUCTION

The incoming directors have received comprehensive inductions to the Group. This involved access to key materials to read in our own time, training sessions on Solvency II and the Utmost proposition, and attendance at meetings with the shareholders and key members of the management teams across the businesses. Gavin and I were pleased to have the opportunity to attend board and committee meetings in the Utmost Life and Pensions business, providing an opportunity to gain insight into the UK business and its current priorities.

SYSTEM OF GOVERNANCE

A major focus of the Board during the year has been overseeing the evolution of the Group's system of governance and its risk management framework. This has involved review and discussion of the Group's Risk Appetite, Policy Framework, ESG risk management processes and Tax Strategy. On behalf of the Board, the ARCC reviewed the Group's progress in working towards full compliance with the EIOPA System of Governance requirements in December 2021. It was pleasing to see the significant progress made during the year and we continue to monitor implementation of the processes required to comply with the remaining requirements.

STAKEHOLDERS

The Board is aware that the Group's stakeholders are key to its success. We consider the interests of a wide range of stakeholders and have identified our key stakeholder groups to be our clients, investors, employees, regulators, and the communities in which we operate. A description of each, and the Company's engagement activities with those groups, is set out in our s.172(1) Statement which can be found on page 59. It is vital that we pay due regard to the interests of our stakeholders in the decision-making process. We explain how we have done so in the context of some key decisions throughout the year on page 69.

ENVIRONMENT, SOCIAL AND GOVERNANCE MATTERS

Following the launch of our Sustainability Strategy in early 2021, the Board has devoted considerable attention during the year to monitoring progress against the initiatives and targets set out therein. In addition, the Board was pleased to see Management's long-term commitment demonstrated in proposing to become a signatory to the UN PRI. The Board wholeheartedly supported this proposal, which demonstrates our commitment to including sustainability factors in our investment decisions and implementation of the Group's strategy.

James Fraser
Chairman

27 April 2022

JAMES FRASER
CHAIRMAN

Appointed October 2021

Experience
James was a Partner and Head of Financial Services at Permira Advisers, a leading private equity firm. He served as a Non-Executive Director on a number of Permira's portfolio companies including Tilney Group, where he was also Chairman of the Risk and Audit Committee, and Just Group plc, now a FTSE 250 insurance group. Previously he was a Partner and Co-Head of Financial Services at L.E.K. Consulting, a global strategy consulting firm.

James is also a Non-Executive Director and Chairman of the Risk and Compliance Committee of Duologi, a specialist lending business.

Education
- BSc (Hons), Computational Science from the University of St Andrews
- MBA from INSEAD

PAUL THOMPSON
UTMOST GROUP CHIEF EXECUTIVE OFFICER

Appointed 2019

Experience
Paul is the Chief Executive Officer of Utmost Group plc and co-founded the Group in 2013. Since then the Utmost Group has grown to become a successful provider of insurance and savings solutions in the UK and International insurance markets.

Paul was an investment banker specialising in financial institutions before joining Britannic Group as Group Finance Director in 2002. Following his appointment as Group CEO at Britannic Group he repositioned the Group as a life assurance consolidator before merging with Resolution plc, becoming Group CEO of the merged group until its acquisition in 2008.
Paul subsequently worked as Head of Financial Services at Pamplona Capital Management, a private equity fund.

Education
- Paul holds an MA from the University of Cambridge

IAN MAIDENS
UTMOST GROUP CHIEF FINANCIAL OFFICER

Appointed 2019

Experience
Ian is the Chief Financial Officer of Utmost Group plc and co-founded the Group in 2013. Since then the Utmost Group has grown to become a successful provider of insurance and savings solutions in the UK and International insurance markets.

Ian was a director of Resolution plc where he held the position of Group Chief Actuary and Head of Corporate Development. Following the acquisition of Resolution plc, Ian was a Founding Partner of Resolution Limited. Ian was instrumental to the success of the UK Life business, which created the Friends Life Group, acquired by Aviva in 2015. Prior to this, Ian worked as a Principal at Tillinghast/Towers Perrin, a specialist actuarial consultancy. Initially he trained as a life actuary at National Provident Institution.

Education
- BSc in Mathematics from the University of Southampton
- Fellow of the Institute of Actuaries

CHRIS BOEHRINGER
NON-EXECUTIVE DIRECTOR AND OAKTREE REPRESENTATIVE

Appointed 2020

Experience
Chris is a Managing Director and Head of Europe Opportunities Funds at Oaktree Capital Management, based in London.

Prior to joining Oaktree in 2006, Chris worked at Goldman Sachs in London, and was Co-Founder and Director of FITravel Corporation, an internet-based distribution system for travel products. Chris held previous roles at Warburg Dillon Read/SG Warburg in London, Hong Kong and New York, and at LTU GmbH & Co. in Duesseldorf.

Education
- BA in Economics from Harvard University
- MBA from INSEAD

GAVIN PALMER
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE ARCC

Appointed July 2021

Experience
Gavin was an Actuarial Partner at KPMG with extensive experience advising UK and European insurance companies.

Previously, Gavin worked as a Principal at Tillinghast/Towers Perrin, a specialist actuarial consultancy, where he was Chief Executive Officer and Chairman of Towers Perrin Capital Markets. Initially he trained as a life actuary at London and Manchester Assurance.

Education
- MA in Mathematics from the University of Oxford
- Fellow of the Institute of Actuaries

KATHERINE (KATY) RALPH
NON-EXECUTIVE DIRECTOR AND OAKTREE REPRESENTATIVE

Appointed February 2021

Experience
Katy is a Managing Director in the Opportunities Funds team at Oaktree Capital Management in London, where she provides transactional and restructuring advice. She also serves on a number of other Oaktree portfolio company boards across a number of sectors and jurisdictions.

Prior to this, Katy spent over nine years at Linklaters LLP in the Restructuring and Insolvency team in London where she specialised in cross-border restructurings and insolvency.

Education
- BA (Hons) in History and an MA from the University of Cambridge
- LLM in Banking, Corporate and Finance Law from Fordham University
- Qualified to practice law in both England & Wales and New York State

The Group's governance arrangements continue to evolve to support the long-term growth prospects of the business.

OUR BUSINESSES

Utmost International primarily provides insurance-based wealth solutions to clients to help safeguard their wealth for future generations. Utmost International operating subsidiaries include UPE and QIID, both incorporated in Ireland, UL and QIIOM, both incorporated in the Isle of Man and UW 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 ULPL, although some policies are held with Equitable Life, a subsidiary of ULPL.

The results of Utmost International and Utmost Life and Pensions are consolidated into Utmost Group plc.

GOVERNANCE STRUCTURE OF THE GROUP

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 Group's governance arrangements continue to evolve to support the long-term growth prospects of the business. In October 2021, shortly after the appointment of the Chairman, the Board established the ARCC, and agreed that this forum should be chaired by Gavin Palmer. The ARCC met once during 2021 and, going forward, will have a minimum of four scheduled meetings per annum. 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.

STAKEHOLDER CONSIDERATION IN STRATEGIC DECISION MAKING

As mentioned in the s.172 Statement in the Strategic Report on page 59, the Board recognises the importance of effective engagement with our key stakeholders in the success of the Group. The table opposite demonstrates how the directors have taken into consideration the company's business relationships with key stakeholders in strategic decisions made during the year.

BOARD ATTENDANCE TABLE

Date	Ian Maidens	Paul Thompson	Chris Boehringer	Katherine Ralph	James Fraser	Gavin Palmer
24/03/2021	✓	✓	✓	✓	n/a	n/a
12/05/2021	✓	✓	✓	✓	n/a	n/a
08/07/2021	✓	✓	✓	✓	n/a	✓
21/07/2021	✓	✓	✓	✓	n/a	✓
02/09/2021	✓	✓	✓	–	n/a	✓
15/09/2021	✓	✓	✓	✓	n/a	✓
19/10/2021	✓	✓	–	✓	✓	✓
23/11/2021	✓	✓	✓	✓	✓	✓
14/12/2021	✓	✓	✓	✓	✓	✓

* Each of the 2 September and 19 October meetings were scheduled at short notice to consider specific items of business. Apologies were provided due to pre-existing commitments.

MATTER CONSIDERED

QUILTER INTERNATIONAL ACQUISITION

Objectives
The objective of the acquisition was to add scale to our international operations through an acquisition, to expand the proposition, improve client outcomes for a larger number of savers, and increase economic value for the Group.

What we did
The Board reviewed the background and rationale for acquisition, financing aspects, the proposed approach to completion, separation and delivery of synergies, risk matters and due diligence. The impact of the acquisition on the Group's current and potential clients and partners was of particular importance in deliberations. As a key pillar of the Group's strategy, the Board was focused on the Group's continuing ability to maintain good outcomes for clients and excellent service for partners, both existing and newly acquired.

Benefits
The acquisition positions the Group as the leading provider of international insurance in each of its markets, providing increased options for clients, opportunities for employees, and increased economic value for investors. The Board recognised that successful regulatory engagement was key to the process and the Group underwent early consultation with all its regulators in connection with the acquisition. As a result of this, the Group received all the required regulatory approvals and was able to complete the acquisition within seven months of the Sale and Purchase Agreement being signed.

s.172 Factors/Key Stakeholders
Clients, Partners, Employees, Investors, Regulators

BOND ISSUANCE

Objectives
One of the primary objectives of the bond issuance was to further bolster the Group's capital position – the senior debt facility previously in place at Utmost Holdings (Guernsey) Limited was not eligible as regulatory capital under Solvency II rules, whereas the issued Tier 2 debt does qualify as eligible capital, increasing the Group's solvency.

What we did
During 2021 and early 2022, the Company issued listed debt instruments to the institutional investor market. The Board's deliberations included considerations of the timing and size of issuance and the use of proceeds, and full consideration to the stakeholder implications of issuing such instruments (including regulatory capital requirements, rating agency considerations and investor expectations). As part of the bond issuance process, the Board agreed to re-register as a public limited company and adopted new articles of association, considering the impact of these changes on the Group's investors and other stakeholders.

Benefits
The debt issued in 2021 and early 2022 provides a long-term source of capital to the Group, and flexibility to be able to best deploy the capital generated by the Group. This enables the provision of optimal returns to stakeholders and good outcomes to clients.

s.172 Factors/Key Stakeholders
Investors, Regulators

SYSTEM OF GOVERNANCE

Objectives
In October 2020 the Utmost Group underwent a reorganisation which resulted in the PRA undertaking Group Supervision of the Company. In developing a robust and compliant system of governance, the primary objective was to establish a proportionate governance model that promotes consistency and transparency across the Group's businesses, while retaining sufficient flexibility for them to operate in accordance with local market conditions and regulatory regimes and ultimately safeguard customers' interests and deliver value for stakeholders and investors.

What we did
The Board has taken significant steps to develop the Group's System of Governance to ensure that key risks to the achievement of strategic objectives are identified and mitigated as required. Steps taken to progress this work include:

- the appointment of an independent Group Chairman and independent non-executive director,
- formation of the Group's ARCC,
- introduction of a Group Risk Management Framework that includes updating the Group's Risk Appetite and establishing Group Policies to manage the key risks to which the Group is exposed, and
- investing in risk management software to aid efficiency and consistent reporting of risks across the Group.

Benefits
The Board believes that a strengthened and compliant system of governance is crucial to provide assurance to all stakeholders that senior management are making appropriate and sound decisions that promote the long-term sustainable success of the Company and ensure the continued provision of good client outcomes and economic value for investors.

s.172 Factors/Key Stakeholders
Clients, Investors, Regulators

A YEAR IN REVIEW

The Board held five scheduled meetings during the year, in addition to four meetings to consider specific projects and transactions. In addition to consideration of the significant strategic decisions set out in detail on page 69, the Board agenda for the year included:

- Regular updates from the CEO on business performance
- Updates from the Chairman of the ARCC
- An update on the Group's financial performance
- Consideration of strategic matters including:
  - the Group's Business Plan
  - organic growth opportunities
  - the acquisition pipeline
- Discussion of key initiatives such as development of the Sustainability Strategy and monitoring progress made against the targets set out therein
- Consideration of key financial and actuarial matters including:
  - Methodology and Assumptions
  - ORSA
  - ORSA Sensitivities and Scenarios
  - The appropriateness of the use of the Standard Formula for the Group
- Approval of the financial and regulatory reporting required of the Group including:
  - Annual Report
  - Solvency and Financial Condition Report
  - Quantitative Reporting Templates

BOARD PERFORMANCE AND EFFECTIVENESS

The Board recognises that continuous review of the Board's effectiveness is important and supports the outcome of board effectiveness reviews conducted across the Group's operating subsidiaries. Owing to the significant change to the structure of the Group and the Board since the Group Reorganisation and throughout 2021, the Board considers that conducting a board effectiveness review at this time would not be worthwhile. It is expected that an internal board effectiveness review will be conducted in 2022 to allow time for the new systems of governance to be embedded across the Group.

GROUP BOARD AND COMMITTEE STRUCTURE

The day-to-day activities of the Utmost Group are controlled by the Board, which comprises a non-executive Chairman who was independent upon appointment, an independent non-executive director, two shareholder nominated non-executive directors to represent Oaktree, and the Founders. The Board 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 below.

KEY MATTERS RESERVED FOR THE BOARD

Examples of matters for which consent of the Board 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 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 company's business.

GROUP AUDIT, RISK AND COMPLIANCE COMMITTEE

The Board is supported by the ARCC which is 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 reviews 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 meets at least four times a year, although five meetings have been scheduled for 2022.

BOARDS 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 72.

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 boards 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.

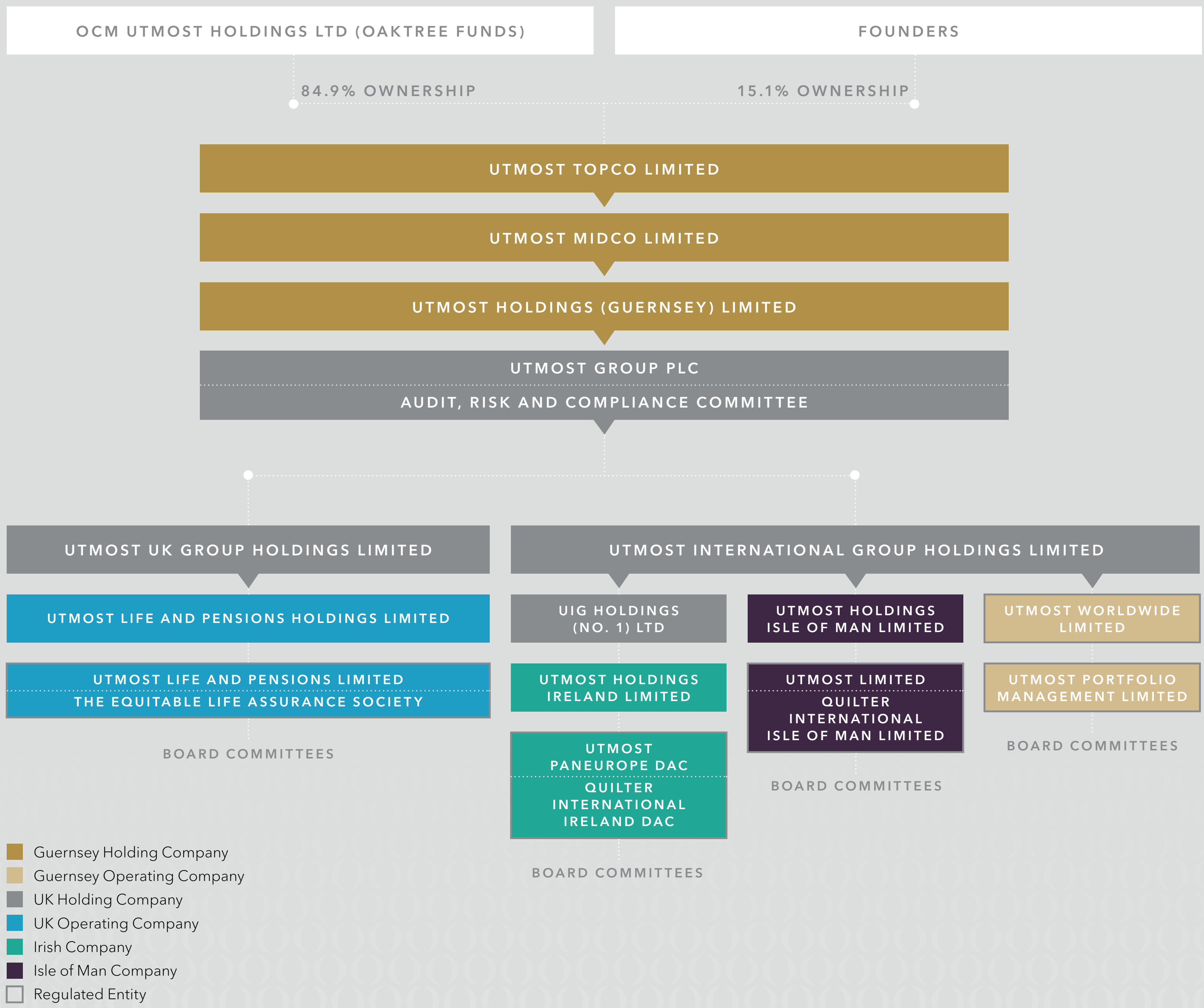
The board of ULPL has also formed a Nominations Committee and a With-Profits Committee to assist it in carrying out its duties. UPE also delegates certain administrative responsibilities to a Banking Committee. Further details of each committee's responsibilities are provided on page 72.

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.

OWNERSHIP AND GOVERNANCE STRUCTURE



The Company is indirectly owned by Utmost Topco Limited ("Topco"), a Guernsey incorporated company. Topco is 84.9% owned by OUHL, a company under the control of Oaktree, which is the ultimate controller of the Group. The remaining 15.1% 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 opposite.

Alignment of the activities and processes of the subsidiary boards and governance arrangements across the Group is ongoing. Initiatives during the year include the approval and implementation of an updated Group Risk Appetite which is being embedded across the business as part of the continued strengthening of the Group Risk Management and Policy Framework.

SUBSIDIARY GOVERNANCE

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 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 ULPL has a rigorous and transparent procedure in place to manage the appointment of new directors to the board of ULPL, and to ensure that the ULPL 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 ("WPC") has been constituted by the board of ULPL to act in an advisory capacity to inform decision making by the board in relation to the management of the ULPL With-Profits Sub-Funds ("WPSFs"). The WPC advises the ULPL 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 UPE ensures that regular administrative matters can be dealt with by the directors without recourse to the Board.

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 English, 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.

The directors present their report together with the audited consolidated and Company financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

Utmost Group plc (the "Company") is a public 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, ULP (registered in England and Wales), UPE and QIID (registered in Ireland), UL and QIIOM (each registered in the Isle of Man), and 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
- Katherine Ralph (appointed 2 February 2021)
- Gavin Palmer (appointed 28 July 2021)
- James Fraser (appointed 8 October 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 37 of the consolidated financial statements.

RESULTS AND DIVIDEND

The result for the year is shown in the Consolidated Statement of Comprehensive Income on page 86.

Dividends totalling £44m were paid during the year.

OWNERSHIP

The sole shareholder of the Company is Utmost Holdings (Guernsey) Limited ("UHGL"), registered in Guernsey. The ultimate parent company into which the Company's results are consolidated is Topco (illustrated in the structure chart on page 71). Topco is part-owned 15.1% by the Founders and 84.9% by funds managed by subsidiaries of Oaktree. Oaktree is a leading global investment manager specialising in alternative investments with $166bn in assets under management as of 31 December 2021. 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 $690bn 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 LLP have 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 continues to model 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.
– Monitoring 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 (UL, QIIOM, UPE, QIID, and UW) have each been assigned an Insurer Financial Strength rating 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 2021 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.

EVENTS DURING THE YEAR

Re-registration

The Company re-registered as a public company limited by shares on 19 July 2021. The Company changed its name from Utmost Group Limited to Utmost Group plc on the same date. The Company re-registered to facilitate the bond issuance described below.

Inaugural Bond Issue

On 15 September 2021, the Company issued £400m of Subordinated Tier 2 Notes ("the Tier 2 Notes") to external investors (the "bond issuance"). The Tier 2 Notes have a coupon of 4% and a redemption date of 15 December 2031.

Repayment of Internal Notes

On 16 September 2021 the Company redeemed the entirety of the £300m subordinated fixed rate loan notes (the "Internal Notes") held by UHGL and paid the £6.4m of interest that had accrued on the Internal Notes. The listing of the Internal Notes was cancelled from the Official List of The International Stock Exchange on 20 September 2021.

Issue of Shares

The Company issued £292.5m ordinary shares of £1.00 each to its sole member, UHGL, on 23 November 2021 in connection with the acquisition of Quilter International Isle of Man Limited.

Subscription for Shares

The Company subscribed for 409m ordinary shares of £1.00 each in the capital of Utmost International Group Holdings Limited in connection with the acquisition of Quilter International Isle of Man Limited.

Acquisition

As referenced in the Strategic Report on page 11, on 30 November 2021 the Company, through its subsidiary Utmost Holdings Isle of Man Limited, completed the acquisition of Quilter International Holdings Limited and QIID.

Share Capital changes

On 14 December 2021 the Board and the shareholder approved the redesignation of the existing ordinary £1.00 shares in the capital of the Company as "ordinary A" shares of £1.00 each, and the creation of a new class of non-voting shares in the capital of the Company to be known as "ordinary B" shares of £1.00 each. The Company adopted new articles of association in connection with the amendments to the Company's share capital. The ordinary B shares remain unissued and unallotted.

EVENTS SUBSEQUENT TO THE YEAR-END

Restricted Tier 1 bonds

The Company issued £300m of Restricted Tier 1 bonds ("Bonds") on 25 January 2022. The Bonds are convertible into equity in certain circumstances. The circumstances in which the Bonds may convert into ordinary shares would be limited to a "trigger event". A trigger event may only occur if the Board determines in consultation with the PRA that it has ceased to comply with its capital requirements under Solvency II in a significant way. This may occur if the amount of capital held by the Group fails to comply with its capital requirements for a continuous period of three months or more or if the Group fails to comply with other minimum capital requirements applicable to it. Only if a trigger event occurs would any Bonds convert into ordinary B shares. The holders of the Bonds do not have the right or option to require conversion of the Bonds. On a change of control, the Bonds may also be convertible into equity in an entity other than the Company where the acquiror is an approved entity (being an entity which has in issue ordinary share capital which is listed or admitted to trading on a regulated market) and the new conversion condition (as set out therein) is satisfied. Otherwise the Bonds may be written down to zero.

Interim Dividend

An interim dividend of £290m was declared on 25 January 2022 and paid on 27 January 2022 to the Company's immediate parent, UHGL.

Further detail on events which took place subsequent to the year-end is provided in note 39 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 2021.

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.

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 10 to 61.

- 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 10 to 61 of this Annual Report and Accounts, and the Governance Report comprising pages 64 to 75, were approved by the Board of directors and signed on its behalf by:

Ian Maidens
Group Chief Financial Officer

27 April 2022

Financial Statements

FINANCIAL STATEMENTS

Report on the audit of the financial statements

OPINION

In our opinion, Utmost Group plc'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 2021 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 UK-adopted international accounting standards; 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 2021 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2021; 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

Overview

Audit scope

– Our audit scope has been determined to provide coverage of all material financial statement line items.

Key audit matters

– Valuation of insurance contract liabilities – Longevity Assumptions (group)
– Valuation of insurance contract liabilities – Expense Assumptions (group)
– Valuation of insurance contract liabilities – Persistency Assumptions (group)
– Accounting for the acquisition of Quilter International Holdings Limited (group)
– Valuation of Investment in subsidiaries (parent)

Materiality

– Overall group materiality: £14,499,000 (2020: £21,286,000) based on 1% (2020: 2.5%) of Total Equity.
– Specific group overall materiality: £619,703,000 (2020: £701,792,000) based on 1% (2020: 2%) of Assets held to cover linked liabilities, investment contract liabilities and associated income statement line items.
– Overall company materiality: £17,019,000 (2020: £11,984,000) based on 1% (2020: 1%) of Total Equity.
– Performance materiality: £10,874,000 (2020: £15,964,000) (group) and £12,764,000 (2020: £8,988,000) (company).
– Specific performance materiality of assets held to cover linked liabilities, investment contract liabilities and associated income statement line items: £464,777,000 (2020: £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.

"Valuation of insurance contract liabilities – Persistency Assumptions" and "Accounting for the acquisition of Quilter International Holdings Limited" are new key audit matters this year. "Actuarial model migration", "Accounting for the acquisition of Equitable Life Assurance Society" and "Impact of Covid-19", which were key audit matters last year, are no longer included because of the "Actuarial model migration" and "Accounting for the acquisition of Equitable Life Assurance Society" having taken place in 2020 and therefore not relevant to the current year. In addition, the uncertainty in relation to Covid-19 has reduced in the current year. We consider the ongoing impact of Covid-19 where relevant throughout the audit, however, we do not consider it to be a separate key audit matter. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
VALUATION OF INSURANCE CONTRACT LIABILITIES – LONGEVITY ASSUMPTIONS (GROUP) Refer to Note 22 Insurance contract liabilities and Note 31 Risk management in the Consolidated Financial Statements. Longevity assumptions are an area of significant management judgement, due to the inherent uncertainty involved. Whilst Utmost Group plc 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. The longevity assumption has two main components: **Base mortality assumption** 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. **Rate of mortality improvements** This part of the assumption is more subjective given the lack of internal experience data, the long timescale over which experience emerges and the uncertainty over how life expectancy will change in the future. The Continuous Mortality Investigation Bureau (CMIB) 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 CMIB based on the most recent available population data. A margin for prudence is allowed for in the assumptions used in the valuation of the insurance contract liabilities.	We performed the following procedures to test the longevity assumptions (including base mortality assumptions, future mortality improvements and prudential margins): – Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; – Where relied on, we have tested the controls in place around the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within actuarial models; – Validated the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the parameterisation and selection of the version of the CMI model including the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages; – Assessed the appropriateness of the margin for prudence by considering the variability of longevity experience and benchmarking this to peer companies in the same industry; – Compared aspects of the calibration of the annuitant mortality assumptions selected by management against those used by peers using our annual survey of the market; – 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 – Assessed the disclosure of the annuitant mortality assumptions, changes in these assumptions over 2021 and their sensitivities. Based on the procedures performed and the evidence obtained, we consider the longevity assumptions to be appropriate.
VALUATION OF INSURANCE CONTRACT LIABILITIES – EXPENSE ASSUMPTIONS (GROUP) Refer to Note 22 Insurance contract liabilities and Note 31 Risk management in the Consolidated Financial Statements. Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities. In the UK business the methodology to allow for expenses includes an allowance for the diseconomies of scale as the business volumes decline. These assumptions require significant judgement including the level of future expenses including the allocation between maintenance/acquisition, the allocation between products, the future policy levels and the margin for prudence.	We performed the following procedures over maintenance expenses: – We understood and tested the governance process in place to determine the maintenance expense, expense inflation assumptions and for the UK business the allowance for diseconomies of scale; – We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience; – Where maintenance expenses are based on budgeted levels of expenses we challenged the 2022 budget expenses and compared these to the 2021 actuals against the 2021 budget; – Where maintenance expenses are based on historic costs we have checked that these reconcile to the total expenses; – We have assessed the classification of expenses between ongoing and one-off costs and the classification between fixed or variable to supporting evidence; – We tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in-force at the balance sheet date; – We assessed the method used to set expense inflation assumptions, checked the alignment with market inflation curves and tested the calculation of the assumptions; – Assessed the appropriateness of the margin for prudence by considering the potential variability of expenses and benchmarking this to peer companies in the same industry; and – We have reviewed and challenged significant judgements and assumptions used, particularly relating to the allowance in the UK for spreading of fixed costs over the reducing portfolio of business as it runs-off. Based on the procedures performed and evidence obtained, we consider the expense assumptions to be appropriate.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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VALUATION OF INSURANCE CONTRACT LIABILITIES – PERSISTENCY ASSUMPTIONS (GROUP)

Refer to Note 22 Insurance contract liabilities and Note 31 Risk management in the Consolidated Financial Statements.

Persistency assumptions are a significant risk due to the need for management judgement and the inherent uncertainty involved. These assumptions impact the measurement of any non-unit liabilities and are a key assumption in the recognition of new Acquired value of in force business (AVIF) for the Quilter International acquisition as well as the fair value of investment in subsidiaries.

Persistency assumptions are set by performing an analysis of experience often including actual versus expected analysis on previous valuation assumptions. Assumptions are then set for each product type and other significant explanatory variables (such as age).

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We performed the following procedures over persistency assumptions:

- Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience;
- Where relied on we have tested the controls in place around the performance of persistency experience analysis studies, approval of the proposed assumptions and implementation within actuarial models;
- Reviewed the results of the experience analyses and conclusions;
- Understood changes from prior year assumptions and the supporting rationale;
- Challenged the use of judgements in the assumption setting process;
- In respect of the Covid-19 pandemic, we have assessed management's considerations of potential changes in current and future expected rates of persistency and their conclusion not to include any short-term or long term adjustments; and
- Assessed the disclosure of the persistency assumptions, changes in these assumptions over 2021 and their sensitivities.

Based on the procedures performed and evidence obtained, we consider the persistency assumptions to be appropriate.

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ACCOUNTING FOR THE ACQUISITION OF QUILTER INTERNATIONAL HOLDINGS LIMITED (GROUP)

Refer to Note 4 Subsidiaries and Note 11 Acquired value of in-force business in the Consolidated Financial Statements.

On 30 November 2021 the Group purchased 100% of the voting equity interests in Quilter International Holding Limited (QIHL) and Quilter International Ireland DAC (QIID) for a consideration of £481.3m, which was determined based on an adjusted Solvency II valuation as at 31 December 2020. As part of this transaction, the Group acquired the entire issued share capital of Quilter International Isle of Man Limited (QIIOM) and Quilter International Ireland DAC (QIID).

The Group has accounted for 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.

As part of the fair value of assets acquired, management have recognised AVIF in accordance with IAS 38 Intangible Assets of £681.7m. Following the fair value calculation, a gain on bargain purchase of £307.9m has been recognised as income in the Statement of Comprehensive Income.

There is a risk that the valuation of the acquired assets and liabilities has been calculated incorrectly resulting in an error in the gain on bargain purchase recognised in the period.

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We have performed the following audit procedures relating to the acquisition of Quilter International:

- Read the Sale and Purchase Agreement (SPA) and other signed contracts to understand the nature of the acquisition transaction and verify that management has captured all key terms;
- Tested the fair value of identifiable assets and liabilities acquired, including intangibles, provisions and contingent liabilities that meet the recognition criteria;
- Assessed the reasonableness of the fair value methodology including the allowance for risk used by management by reference to market practices for the valuation of investments in insurance companies and recent acquisition activity in the insurance market;
- Reviewed the appropriateness of the economic value methodology used to derive the AVIF, the fair value adjustments required to Solvency II, and the completeness and appropriateness of the accounting alignment adjustments applied to derive the AVIF;
- Tested the completeness and accuracy of the policyholder data used at the acquisition date to calculate the AVIF;
- Assessed the appropriateness of the assumptions used to calculate the AVIF, with particular focus on the persistency and expense assumptions used;
- Recalculated the AVIF and expected amortisation pattern using our independent models;
- Tested the accuracy and completeness of management's calculation of the Solvency II risk margin, including the supporting non-hedgeable risk capital requirements, the inputs, assumptions, capital projections and aggregation of the combined acquired business; and
- Assessed the adequacy of the presentation and disclosures regarding the acquisition in the financial statements.

Based on the procedures performed and the evidence obtained, we consider the valuation of the acquired assets and liabilities and the AVIF to be appropriate.

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Key audit matter	How our audit addressed the key audit matter

VALUATION OF INVESTMENT IN SUBSIDIARIES (PARENT)
Refer to Note 2 Critical accounting estimates and Note 3 Investment in subsidiaries of the Company Financial Statements.
 	
Investments in subsidiary undertakings 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.
 	
The valuation of the investment in subsidiary balance held by Utmost Group Plc is £2,092m which is material for the parent company.
 	
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 Measurement. In addition, the determination of the fair value of underlying insurance companies (regulated entities) represents a key estimate in the financial statements involving significant judgement by management in determining the cost of capital and the multiple applied to Adjusted Own Funds.
	We have performed the following audit procedures over the valuation of Investment in subsidiaries:
	
	– 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
	– 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:
	  – We have considered the appropriateness of adjustments processed from reported Own Funds to Adjusted Own Funds such as contract boundary, risk margin etc; and
	  – We have considered the appropriateness of the methodology applied by management to calculate the multiple used in the valuation of the investment in subsidiaries balance.
	
	Based on the procedures performed and evidence obtained we consider the methodology and valuation of Investment in subsidiaries to be appropriate, in line with IFRS 13 Fair Value Measurement.

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 primarily in the United Kingdom, Isle of Man, Guernsey, and Ireland.

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 Life and Pensions Limited, Utmost Worldwide Limited, Utmost Holdings Isle of Man Limited, 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 Group 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:

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

Due to the ongoing impacts of Covid-19, we continue to perform detailed reviews of key audit working papers at all in-scope components remotely and held periodic video-conference meetings. We continue to be able to exercise oversight remotely 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: £14,499,000 (2020: £21,286,000) based on Total Equity for all balances other than assets held to cover linked liabilities, investment contract liabilities and associated income statement line items. Specific materiality for Assets held to cover linked liabilities, investment contract liabilities and associated income statement line items: £619,703,000 (2020: £791,792,000) based on 1% (2020: 2%) of Assets held to cover linked liabilities.	£17,019,000 (2020: £11,984,000).
HOW WE DETERMINED IT	1% (2020: 2.5%) of Total Equity, and the specific materiality described above.	1% (2020: 1%) of Total Equity
RATIONALE FOR BENCHMARK APPLIED	We believe that Total Equity, 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. 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. Materiality has been consistently rounded down to the nearest thousand.	We believe that Total Equity, 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. Materiality has been consistently rounded down to the nearest thousand.

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 £2,400,000 and £13,724,000. 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 contracts liabilities and associated income statement line items described above. The range of the specific materiality for these line items was between £40,000,000 and £588,545,000.

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% (2020: 75%) of overall materiality, amounting to £10,874,000 (2020: £15,964,000) for the group financial statements and £12,764,000 (2020: £8,988,000) for the company financial statements.

For certain balances, 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 £464,777,000 (2020: £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 £724,000 for the Overall Financial statements materiality based on the Total Equity benchmark and specifically £14,499,000 for Assets held to cover linked liabilities, investment contract liabilities and associated income statement line items (group audit) (2020: £1,064,000 for the Overall Financial statements materiality based on the Total Equity benchmark and specifically £21,286,000 for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items) and £850,000 (company audit) (2020: £599,000) 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:

- Obtaining 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;
- Considering management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered by the Group;
- Assessing the impact of severe, but plausible, downside scenarios;
- Assessing the liquidity of the Group, including the Company's ability to pay suppliers and creditors as amounts fall due;
- Considering 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; and
- Reviewing certain Board and Committee minutes, and attendance of relevant Audit, Risk and Compliance Committee meetings and reporting 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 2021 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 the 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 Audit, Risk and Compliance Committee, 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 in relation to insurance contract liabilities and valuation of investment in subsidiaries (see related Key Audit Matters above);
- 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.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 April 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £'000	Restated* 2020 £'000
Revenue			
Net premiums earned	22	85,884	67,944
Fees and charges receivable	6	191,854	162,621
Other operating income		7,405	9,348
Total revenue		285,143	239,913
Investment return	7	3,591,121	1,632,153
Net policyholder claims and benefits incurred			
Policyholder claims	22	(177,799)	(196,970)
Transfer (to)/from unallocated surplus	23	(12,633)	9,975
Changes in insurance contract liabilities		181,077	58,510
Changes in investment contract liabilities	21	(3,543,094)	(1,497,963)
		(3,552,449)	(1,626,448)
Expenses			
Administrative expenses	8	(124,065)	(114,412)
Commission and adviser fees		(43,634)	(44,444)
Amortisation of acquired value of in-force business	11	(59,650)	(52,802)
		(227,349)	(211,658)
Gains arising on bargain purchases	4	309,643	86,176
Profit for the year before interest and tax		406,109	120,136
Finance costs	9	(18,450)	(10,276)
Profit for the year before tax		387,659	109,860
Tax charge	10	(20,447)	(24,246)
Profit for the year after tax		367,212	85,614
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit and loss			
Change in fair value of financial assets at fair value through OCI		(5,507)	4,243
Foreign currency translation movements in the year		(19,419)	10,329
Items that will not be reclassified to profit and loss			
Fair value movements of owner occupied land and buildings		110	(150)
Re-measurement on retirement benefit asset/obligation		3,047	(3,381)
Shareholder tax on items that will not be reclassified subsequently to profit and loss		(74)	(120)
Total comprehensive income for the year		345,369	96,535

* See note 2 for details of the restatement of comparative information.

Income and expenses for the year derive wholly from continuing operations. The notes on pages 90 to 126 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 £'000	Restated* 2020 £'000
Assets			
Acquired value of in-force business	11	1,096,051	483,144
Deferred acquisition costs	12	58,386	44,516
Other intangible assets	13	585	608
Property, plant and equipment	14	27,214	20,755
Reinsurers' share of insurance contract liabilities	22	1,188,038	1,233,992
Withholding tax asset	17	108,899	114,718
Deferred tax asset	26	2,580	7,725
Financial assets at fair value held to cover linked liabilities:	15		
– Financial investments		58,717,032	32,844,244
– Cash and cash equivalents		3,253,320	2,245,374
Total financial assets at fair value held to cover linked liabilities		61,970,352	35,089,618
Other investments	16	2,042,435	2,279,887
Other receivables	18	314,477	144,817
Deposits		39,166	10,000
Assets held for sale		3,560	3,450
Cash and cash equivalents	19	452,186	278,452
Total assets		67,303,929	39,711,682
Liabilities			
Investment contract liabilities	21	59,983,184	34,556,745
Insurance contract liabilities	22	4,738,424	3,383,456
Reinsurance liability	22	57,895	40,469
Unallocated surplus	23	107,332	96,470
Borrowings	25	404,690	302,564
Deferred tax liabilities	26	57,774	40,205
Reinsurance payables		114,664	134,098
Payables related to direct insurance contracts		28,619	26,337
Deferred front end fees	24	62,070	52,256
Other payables	27	299,287	222,032
Total liabilities		65,853,939	38,854,632
Capital and reserves			
Called up share capital	28	392,500	100,000
Retained earnings		1,065,358	739,063
Other reserves		(78)	6,358
Foreign currency translation reserve	29	(7,790)	11,629
Total equity		1,449,990	857,050
Total equity and liabilities		67,303,929	39,711,682

* See note 2 for details of the restatement of comparative information.

The notes on pages 90 to 126 form an integral part of these financial statements. The financial statements on pages 86 to 126 were approved and authorised for issue by the Board of directors on 27 April 2022 and signed on its behalf by:

Paul Thompson
Director
27 April 2022

Ian Maidens
Director
27 April 2022

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Called up share capital £'000	Retained earnings £'000	Other reserves* £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 January 2020 as originally presented		1,206,548	(274,261)	1,186	1,300	934,773
Impact of prior period restatement		–	(617)	–	–	(617)
Restated balance as at 1 January 2020**		1,206,548	(274,878)	1,186	1,300	934,156
Profit for the year		–	85,614	–	–	85,614
Foreign currency translation movements in the year	29	–	–	–	10,329	10,329
Re-measurement on retirement benefit asset		–	(3,381)	–	–	(3,381)
Other comprehensive income		–	(266)	929	–	663
Dividends paid		–	(174,574)	–	–	(174,574)
Change in fair value of financial assets at fair value through OCI		–	–	4,243	–	4,243
Share capital reduction	28	(1,106,548)	1,106,548	–	–	–
Restated balance as at 1 January 2021**		100,000	739,063	6,358	11,629	857,050
Profit for the year		–	367,212	–	–	367,212
Share capital issued in the year	28	292,500	–	–	–	292,500
Foreign currency translation movements in the year	29	–	–	–	(19,419)	(19,419)
Re-measurement on retirement benefit asset		–	3,047	–	–	3,047
Change in fair value of financial assets at fair value through OCI		–	–	(5,507)	–	(5,507)
Dividends paid		–	(44,000)	–	–	(44,000)
Other comprehensive income		–	36	(929)	–	(893)
Balance as at 31 December 2021		392,500	1,065,358	(78)	(7,790)	1,449,990

* Other reserves primarily consists of the accumulated movement on financial assets held at fair through other comprehensive income.
** See note 2 for details of the restatement of comparative information.

The notes on pages 90 to 126 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash flows from operating activities	30	105,528	120,455
Cash flows from investing activities			
Acquisition of subsidiaries – net of cash acquired and distribution received		(255,872)	14,484
Acquisition of property, plant and equipment	14	(706)	(1,219)
Acquisition of intangible assets	13	(152)	(318)
Proceeds on disposals of property, plant and equipment		26	33
Net cash flows from investment activities		(256,704)	12,980
Cash flows from financing activities			
Issue of share capital		292,500	–
Increase in borrowings		400,000	–
Repayments of borrowings		(300,000)	–
Dividends paid		(44,000)	(38,500)
Finance costs paid		(17,012)	(5,263)
Net cash flows from financing activities		331,488	(43,763)
Net increase in cash and cash equivalents		180,312	89,672
Cash and cash equivalents at the beginning of the year		278,452	186,105
Exchange differences on cash and cash equivalents		(6,578)	2,675
Cash and cash equivalents at the end of the year	19	452,186	278,452

The notes on pages 90 to 126 form an integral part of these financial statements.

1 GENERAL INFORMATION

The principal activity of Utmost Group plc (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 is classified as investment contracts because of the absence of significant insurance risk. These contracts are primarily written into the UK, Ireland, Italy, Middle East, Asia, Latin America 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 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 was incorporated as a company limited by shares in England and Wales and converted to a plc on 19 July 2021. 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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Utmost Group plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. 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.

Restatement of comparative information

The comparative information for the year ended 31 December 2020 has been restated to reclassify certain contracts written by Utmost Life and Pensions Limited that were previously classified as insurance contracts to be classified as investment contracts. On the Consolidated Statement of Financial Position this has resulted in these contracts being reclassified from "Insurance contract liabilities" to "Investment contract liabilities" and an increase to "Deferred tax liabilities". In the Consolidated Statement of Comprehensive Income this has resulted in a reclassification from "Changes in insurance contract liabilities" to "Changes in investment contract liabilities" and an increase to the "Tax charge". The impacts to the 2020 financial statements are as follows:

Balance sheet (extract)	31 December 2020 £'000	Increase/ (decrease) £'000	31 December 2020 restated £'000
Investment contract liabilities	34,312,054	244,691	34,556,745
Insurance contract liabilities	3,635,177	(251,721)	3,383,456
Deferred tax liabilities	38,780	1,425	40,205

Balance sheet (extract)	1 January 2020 £'000	Increase/ (decrease) £'000	1 January 2020 restated £'000
Opening retained earnings	(274,261)	(617)	(274,878)

Income statement (extract)	31 December 2020 £'000	Increase/ (decrease) £'000	31 December 2020 restated £'000
Changes in investment contract liabilities	(1,216,267)	(281,696)	(1,497,963)
Changes in insurance contract liabilities	(230,821)	289,331	58,510
Tax charge	(22,833)	(1,413)	(24,246)

In the Cash flow statement disclosed in note 30, there is a restatement of £7,635k to the 2020 comparatives to increase "Profit before taxation" from £102,225k to £109,860k and a decrease of £7,635k to "Change in other working capital items" from £49,581k to £41,946k.

2.1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and each of its subsidiaries which are 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 external 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 a "Gains arising on bargain purchases".

Where settlement of any part of the 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 as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Statement of Comprehensive Income. 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"). 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 the 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. Goodwill is recognised as an intangible asset in the Statement of Financial Position and is held at cost less impairment. Goodwill has an indefinite useful life and is not amortised.

Negative goodwill arises when the purchase consideration is less than the fair values of the identifiable assets and liabilities, and is recognised as a "Gains on bargain purchases" in the Statement of Comprehensive Income.

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, 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 which arises on acquired insurance contracts is measured as the difference between the fair value of the contracts and the value of the liability as measured in accordance with the Group's accounting policies for these contracts (see note 2.14). AVIF relating to investment contracts is recognised at its fair value which is set equal to the present value of the best estimate cash flows adjusted to reflect a risk margin which has been calculated using a 3% cost of capital. Key estimates used in the calculation of the best estimate cash flows include persistency and expense assumptions. Persistency assumptions are set with reference to historic data and expense assumptions are set using the 2021 run-rate expenses adjusted for foreseeable changes to policy accounts and the expected rate of inflation. 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

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 impairment and is amortised over three to five years.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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%
Fixtures and fittings	20%–33%
Motor vehicles	15%–35%

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.

2.6 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 and 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 other 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, reinsurance payables 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 date on which the 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 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

The 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, where 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.

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 policy 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 are 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 the impairment of loans and receivables is recognised in line with the Expected Credit Loss ("ECL") method as detailed in note 2.8 below.

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 certain inputs to level 3 fair values are unobservable. 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.

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 or loss recognised in OCI is recycled to 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. 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 "Investment return" 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" in the Statement of Comprehensive Income using the effective interest method.

Dividends receivable from 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 when the income can be reliably measured. The attributable investment income and net gains or loss on investments due or payable under the modified coinsurance account (see note 2.24) 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. Commission income from the group's ceded reinsurance on life and disability business is recognised as revenue over time as performance obligations are satisfied.

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.

Reinsurance receivables are reviewed for impairment as detailed in note 2.8 above. Any impairment loss is recorded in the Statement of Comprehensive Income.

The reinsurance liability balance includes the value of a longevity swap in ULP which is in a liability position. Under the terms of the longevity swap, ULP pays fixed amounts to the counterparty and the counterparty makes variable payments to annuitants. The longevity swap has been presented in the Statement of Financial Position on a net basis whereby the carrying value of the swap is equal to the fair value of the net position with the counterparty to the swap.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.12 Product classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Insurance risk is significant if there is a scenario that has commercial substance in which, on a present value basis, there is a possibility that an issuer could:

– suffer a loss caused by the insured event, and
– pay significant additional amounts beyond what would be paid if the insured event had not occurred.

To have commercial substance, the scenario has to have a discernible effect on the economics of the transaction.

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 significant insurance risk are 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 net asset value of the underlying assets at the Statement of Financial Position date, with the 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 fair 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 when the units are created or redeemed. Investment income and changes in fair value arising from the investment contract assets are included in "Investment return" and "Changes in investment contract liabilities" respectively in the Statement of Comprehensive Income.

Benefits are deducted from Investment Contract 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.

2.14 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 – Insurance Contracts", which permits the continued usage of previously applied Generally Accepted Accounting Practices ("GAAP") and reflects the specific products and local regulatory requirements of the insurance entities of the Group including the addition of margins of prudence for certain products and insurance entities. 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.

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, including margins for prudence on certain lines of business and for certain entities, taking known facts and experiences into account but, nevertheless, such liabilities remain uncertain.

Life assurance contracts

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

Annuity business

Liabilities on annuity business are calculated as the expected value of future payments and expenses discounted by a valuation interest rate which is set equal to the risk free rate plus 50% of the Solvency II matching adjustment in ULP and is derived from the yields of assets backing the annuity liabilities in UPE. The primary assumptions required are in respect of longevity and future expenses.

Deposit Administration fund

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 Group, to the extent they may exceed the guaranteed rate.

With-profits business

The Group's with-profits business can be split between those funds where the Group is responsible for the management of the fund and those where the responsibility for the management of the fund is external to the Group. All with-profits business is classified as insurance business with the exception of with-profits investment contracts in ULP where there is no transfer of significant insurance risk or discretionary participation features. 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 liabilities for with-profits business are stated at the amount of the realistic value of the liabilities adjusted to exclude the shareholders' share of projected future bonuses. The realistic liabilities include the with-profits benefit reserve ("WPBR") and the cost of future policy-related liabilities.

Unit linked insurance business

For unit linked contracts classified as insurance contracts, the attaching liability reflects the unit value obligation and an additional provision, a non-unit reserve, for any excess of future expenses over charges. Where the non-unit reserve is negative the reserve is zeroised and is not accounted for as a reduction to the total liability.

Group Life business

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.

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.

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 ("IBNR"), at the reporting date. It can take a significant period before the ultimate claims cost can be established with certainty and for some types 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 which are held for unexpired risks in addition to the claims reserves held. Judgement is 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 liabilities and investment contracts with DPF liabilities are adequate.

The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4, as they allow for current estimates of all contractual cash flows and of related cash flows such as claims handling costs. Any deficiency is immediately recognised as an expense in the Statement of Comprehensive Income.

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 less impairment.

2.17 Deposits

Fixed deposits held with banks with original maturities in excess of three months are included in deposits. These are accounted for at amortised cost less impairment.

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 on 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 obligations are fulfilled.

Initial and other "front-end" fees (fees that are assessed against the policyholder balance as consideration for origination of the contract) 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 on a straight line basis as performance obligations are fulfilled. 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. Surrender fees are recognised as income on surrender of a policy as a reduction to the surrender amount returned to policyholders.

2.20 Renewal commission and adviser fees

Advisor 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 advisors. 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 as at the reporting date. 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 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 over the expected remaining duration of the underlying policyholder contract. The amortisation of deferred acquisition costs is charged to the Statement of Comprehensive Income within the "Commission and advisor 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

In 2013 UL 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 UL and as such the Modco does not result in the transfer of significant insurance risk. The Modco is therefore a financial asset, accounted for under the requirements of IFRS 9, held at fair value backing the investment contract liabilities on unit linked policies written with ACR and ALS.

In the event of the cedant's insolvency the liability of UL is limited as UL 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 UL. The terms and conditions under this modified coinsurance arrangement are similar to the agreement with ACR.

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 returns attributable to the assets held under the Modified Coinsurance arrangement are 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.

2.28 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 differences 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 lowest 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 Leases
Where the Group acts as a lessee (for a lease that is not a finance lease), it recognises a right of use asset and a corresponding lease liability, representing the obligation to make lease payments at the lease commencement date.

The right of use asset is initially measured at cost which comprises the lease liability, payments made on the lease before the commencement date and any initial direct costs less any lease incentives received. The asset is subsequently measured at cost less depreciation and impairment and is depreciated on a straight-line basis from the commencement date to the earlier of (i) the end of the right of use asset's useful life and (ii) the end of the lease term.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate.

Subsequently, the lease liability is measured at amortised cost, using the effective interest method. The lease liability may be re-measured where there is a change in future lease payments for instance where the Group reassesses whether it will exercise a purchase, extension or termination option. Where this happens, a corresponding adjustment is made to the carrying amount of the right of use asset or an amount is recognised in the Statement of Comprehensive Income if the carrying amount of the right of use asset has been reduced to zero.

The Group presents the right of use assets in property, plant and equipment on the Statement of Financial Position. The corresponding lease liabilities are presented in other payables.

2.31 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.

2.32 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 initial 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. Principal assumptions used in the calculation of insurance contract liabilities include those in respect of expenses and longevity. 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 31.

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 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 2021:

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
Utmost International Group Holdings Limited	15 Jan 16 (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 16 (incorporation date)	Royalty House Walpole Avenue Douglas, Isle of Man	Investment holding	100% of issued share capital
Utmost Limited	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Writing long-term assurance business	100% of issued share capital
Quilter International Isle of Man Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Writing long-term assurance business	100% of issued share capital
AAM Advisory Pte. Ltd.	30 Nov 21	138 Market Street, #06-01, Capita Green Singapore	Advisory services	100% of issued share capital
Quilter International Trust Company Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Administration services	100% of issued share capital
Quilter International Business Services Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Administration services	100% of issued share capital
Quilter International Holdings Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Investment holding	100% of issued share capital
Quilter International Middle East Limited	30 Nov 21	Offices 7 and 8 Dubai International Financial Centre Dubai 482062 United Arab Emirates	Provision of financial services	100% of issued share capital
Utmost Services Limited	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Management and administration services	100% of issued share capital
Utmost Trustee Solutions Limited	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Management and administration services	100% of issued share capital
Utmost Administration Limited	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Administration services	100% of issued share capital
Utmost Partnerships Limited	21 Oct 16	Royalty House Walpole Avenue Douglas, Isle of Man	Dormant company	100% of issued share capital
UIG Holdings (No 1) Ltd.	13 Jun 18	5th Floor Saddlers House 44 Gutter Lane London	Investment Holding	100% of issued share capital
Utmost Holdings Ireland Limited	13 Jun 18	Ashford House Tara Street Dublin 2	Investment Holding	100% of issued share capital
Utmost PanEurope DAC	19 Jun 18	Navan Business Park Athlumney, Navan, Co.Meath Ireland	Writing long-term assurance business	100% of issued share capital
Quilter International Ireland DAC	1 Dec 21	Hambledone House Lower Pembroke Street Dublin 2	Writing long-term assurance business	100% of issued share capital
Utmost Services Ireland Limited	13 Jun 18	Ashford House Tara Street Dublin 2	Management and administration services	100% of issued share capital

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
Harcourt Life Corporation DAC	13 Jun 18	Ashford House Tara Street Dublin 2	Former life assurance provider	100% of issued share capital
Utmost Bermuda Limited	13 Jun 18	Clarendon House 2 Church Street Hamilton Bermuda	Writing long-term assurance business	100% of issued share capital
Utmost Worldwide Limited	28 Feb 19	Utmost House Hirzel Street St Peter Port Guernsey	Writing long-term assurance business	100% of issued share capital
Utmost Switzerland Gmbh	11 Oct 21	Zweigniederlassung Schweiz, Adliswil, Soodmattenstrasse 4, 8134 Adliswil Zurich Switzerland	Service Company	100% of issued share capital
Dynasty ICC Limited	18 Nov 21	Utmost House Hirzel Street St Peter Port Guernsey	Service Company	100% of issued share capital
Utmost Portfolio Management Limited	28 Feb 19	Utmost House Hirzel Street St Peter Port Guernsey	Provision of financial services	100% of issued share capital
Utmost Worldwide (DIFC) Limited	8 Apr 19 (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 19	Albert House South Esplanade St Peter Port, Guernsey	Group pension scheme	100% of issued share capital
Utmost UK Group Holdings Limited	22 Jan 18 (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 18	Walton Street, Aylesbury, HP21 7QW	Investment holding	100% of issued share capital
Utmost Life and Pensions Limited	22 Mar 18	Walton Street, Aylesbury, HP21 7QW	Life insurance	100% of issued share capital
Utmost Life and Pensions Services Limited	22 Mar 18	Walton Street, Aylesbury, HP21 7QW	Service Company	100% of issued share capital
The Equitable Life Assurance Society	1 Jan 20	Walton Street, Aylesbury, HP21 7QW	Life insurance	100% of issued share capital
Equitable Life Ireland DAC	1 Jan 20	Walton Street, Aylesbury, HP21 7QW	Life insurance	100% of issued share capital
RMIS (RTW) Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Member settlements	100% of issued share capital
Reliance Unit Managers Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Unit Trust Management	100% of issued share capital
Reliance Pension Scheme Trustee Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Group pension scheme	100% of issued share capital

4 SUBSIDIARIES CONTINUED

The entities below meet the definition of related undertakings under the Companies Act 2006 but are not consolidated into the results of the Group as the Group does not have control of these entities under the requirements of IFRS 10 – Consolidated Financial Statements and the Group does not have any direct economic interest in these entities. The share capital of these entities has been acquired, and is held, as linked assets to back unit linked products under the Utmost Wealth Solutions brand.

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
Electrolight Investments Limited	30 Nov 21	2nd Floor, Gaspe House, 66-72 Esplanade, St Helier, JE1 1GH	Private company holding	100% of issued share capital
Tissington Limited	30 Nov 21	Cayman National House, 4-8 Hope Street, Douglas, IM1 1AQ	Private company holding	100% of issued share capital
Rosco Bahamas Ltd.	30 Nov 21	Amicorp Bahamas Management Limited, Shirley & Charlotte Streets, PO Box N-4865	Private company holding	100% of issued share capital
Atwood Development S.A.	30 Nov 21	2nd Floor, MMG Building, East 53rd Street, Marbella, Panama City	Private company holding	100% of issued share capital
Accord Brook S.A.	30 Nov 21	2nd Floor, Humboldt Tower, East 53rd Street, Urb., Marbella, Panama City	Private company holding	100% of issued share capital
Isidro Mayo Corp.	30 Nov 21	2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Wickhams Cay II, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Libby Ventures Ltd	30 Nov 21	Citco BVI Limited, Flemming House, PO Box 662, Wickhams Cay, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Volenda Finance Inc.	30 Nov 21	Level 1, Palm Grove House, Wickham's Cay I, Road Town, Tortola	Private company holding	100% of issued share capital
Pacific Commercial Services Ltd DCAF Ltd	30 Nov 21	MMG Trust (BVI) Corp, Morgan and Morgan Building, Pasea Estate, Road Town, Tortola	Private company holding	100% of issued share capital
Akito Inc.	30 Nov 21	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Avanna Global Corp.	30 Nov 21	Palm Chambers, 197 Main Street, PO Box 3174, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Elegant Inn Inc	30 Nov 21	Tortola Pier Park, Building 1, Second Floor, Wickhams Cay 1, Road Town, Tortola	Private company holding	100% of issued share capital
South Surrey Investment & Finance S.A.	30 Nov 21	Trident Chambers, P.O. Box 146, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Seaview Holdings Investment Limited	30 Nov 21	Trinity Chambers, PO Box 4301, Road Town, Tortola	Private company holding	100% of issued share capital
Bliss Spring Limited Epoch Vision Ventures Limited Grandeur Valley Limited Sitori Trading Limited	30 Nov 21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Neon Bay Ltd	30 Nov 21	Portcullis Trustnet (BVI) Ltd, Portcullis Trustnet Chambers, Vistra Corporate Services Centre, PO Box 3444 Road Town, Tortola	Private company holding	100% of issued share capital

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
Michael Churm Holdings Limited	30 Nov 21	Amathountos, 29 Myria Court, Flat 11 4532, Lemesos	Private company holding	100% of issued share capital
Reverades Holding Ltd Rubyfield Investments Ltd	30 Nov 21	Suite 3, Global Village, Jivans Complex, Mont Fleuri, Mahe	Private company holding	100% of issued share capital
Blain Investments Limited	30 Nov 21	Trident Trust Company (BVI) Ltd, Trident Chambers, PO Box 146, Road Town, Tortola, BVI	Private company holding	100% of issued share capital
Evansyr Limited	30 Nov 21	Trust Services (Nevis) Ltd, PO Box 853, Suites 5&6 Horsford's Business Centre, Long Point Road, Charlestown, Nevis	Private company holding	100% of issued share capital
Global Reliant Group Limited	30 Nov 21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, BVI	Private company holding	100% of issued share capital
Grimar 2021 Ltd	30 Nov 21	Suites 5&6, Horsford's Business Centre, Long Point Road, Charlestown, Nevis	Private company holding	100% of issued share capital
South Seas Capital Corp	30 Nov 21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, BVI	Private company holding	100% of issued share capital
VST International Ltd	30 Nov 21	Palm Grove House, PO Box 438, Road Town, Tortola, BVI	Private company holding	100% of issued share capital

On 30 November 2021 the Group purchased 100% of the voting equity interests in Quilter International Holding Limited ("QIHL"). QIHL and its subsidiaries constitute a group undertaking long-term assurance business. The business was acquired to expand the international reach of the Group, consistent with its growth strategy. This business combination resulted in a bargain purchase because the fair value of the assets acquired, including the value of in-force policies, and liabilities assumed exceeded the total of the fair value of consideration paid. This was driven by the fact that Quilter plc considered the business to be non-core and wished to exit the market, in order to focus on its core activities in the UK market.

Below is an analysis of the fair value net assets of the group that was acquired during the financial year, the consideration paid and the intangible assets arising from this acquisition:

Quilter International Holdings Limited and Quilter International Ireland DAC (together, "Quilter International")	Fair value £'000
Assets	
Acquired value of in-force policies ("AVIF")	681,752
Fixed assets	10,633
Financial assets at fair value held to cover linked liabilities	23,930,907
Deposits and loans	200,309
Cash and cash equivalents	225,411
Other assets	76,419
Total assets	**25,125,431**
Liabilities	
Investment contract liabilities	22,548,738
Insurance contract liabilities	1,627,813
Deferred tax liability	11,374
Other liabilities	148,280
Total liabilities	**24,336,205**
Fair Value of Net Assets acquired	**789,226**
Consideration paid	(481,283)
Gain arising on bargain purchase of Quilter International	**307,943**

4 SUBSIDIARIES CONTINUED

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

From the date of acquisition on 30 November 2021, the business contributed £29.5m of total revenue, net of reinsurance payable, and a loss after tax of £1.1m to the consolidated results of the Group. The loss after tax is based on the actual amounts realised post-acquisition plus one month of amortisation of the AVIF intangible.

If the acquisition had taken place at the beginning of the year, total revenue net of reinsurance payable is estimated at £333.0m and the loss after tax is estimated at £17.8m. The loss after tax is calculated on actual profit of the business for the year ended 31 December 2021, excluding pre-acquisition movements in deferred acquisition costs and deferred front-end fees, but including an estimate of what the amortisation of the AVIF intangible over the same period would have been. The pro-forma results are provided for information purposes only and do not necessarily reflect the actual results that would have occurred had the acquisition taken place on 1 January 2021, nor are they necessarily indication of the future results of the combined group.

The "Gains arising on bargain purchases" balance in the Statement of Comprehensive Income includes a £1.7m gain arising from the prior year purchase of Equitable Life Assurance Society.

5 SEGMENTAL ANALYSIS

The Group defines and presents operating segments in accordance with IFRS 8 Operating Segments which requires operating segments to be identified based on the information provided to the Chief Operating Decision Maker ("CDM"). The profit and loss information provided to the CDM and as presented in this note is on a different basis to that presented in the Consolidated Statement of Comprehensive Income. A measure of total assets and liabilities is not regularly reported to the CDM and as such a segmental split of such a measure is not provided in this disclosure note. IFRS 8 has been applied for the first time in this set of financial statements and segmental information was not provided to the CDM in 2020 and as such comparative amounts have not been provided in the reconciliations disclosed below.

IFRS 8 defines an operating segment as a component of an entity:

– that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
– whose operating results are regularly reviewed by the entity's CDM to make decisions about resources to be allocated to the segment and assess its performance, and
– for which discrete financial information is available.

Based on the above criteria the operating segments of the Group are determined to be:

Utmost Wealth Solutions ("UWS")
A provider of wealth solutions through the sale of unit linked life assurance products.

Utmost Corporate Solutions ("UCS")
A provider of employee benefits business including life cover, income protection and critical illness cover to 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 ("ULP")
A consolidator of UK life and pensions books of business. ULP is focused on unit linked solutions and also provides annuity and with-profits solutions to policyholders.

Other Group activities
Centrally held assets and group head office expenses together with financing costs arising on the Tier 2 loan notes are included in "Other reconciling items". The elimination of inter-segment transactions and consolidation adjustments are also included within this line.

The performance of the segments is based upon the non-GAAP measure 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 and the definition and a further reconciliation of operating profit is provided in the APMs section of this Annual Report.

A reconciliation of the segmental operating profit to the Group profit before tax is provided below:

Operating profit	£'000
UWS	75,621
UCS	20,821
ULP	45,012
Other reconciling items	(9,611)
Total segmental operating profit	**131,843**
Gains arising on bargain purchases	309,643
Amortisation of AVIF and depreciation	(64,985)
Finance costs	(18,450)
Non-recurring items	29,608
Profit before tax	**387,659**

A breakdown of revenue by segment is provided below:

	UWS £'000	UCS £'000	ULP £'000	Other reconciling items £'000	Total £'000
Net premiums earned	14,500	76,000	(4,616)	–	85,884
Fees and charges receivable	146,287	15,938	35,136	(5,507)	191,854
Other operating income	5,637	5,936	–	(4,168)	7,405
Total segmental revenue	**166,424**	**97,874**	**30,520**	**(9,675)**	**285,143**

Of the revenue from external customers presented in the table above, £106,983k is attributable to customers in the United Kingdom and £178,160k to the rest of the world. No revenue transaction with a single customer external to the Group amounts to greater than 10% of the Group's revenue.

The Group has total non-current assets (other than financial assets, deferred tax assets and reinsurers' share of insurance contract liabilities) of £123,942k located in the United Kingdom and £1,058,294k located in the rest of the world. The non-current assets arise in the reportable segments detailed above.

6 FEES AND CHARGES RECEIVABLE

	2021 £'000	2020 £'000
Fee income from investment contracts	173,390	148,909
Net movement in deferred front-end fees	(5,167)	(3,312)
Other fee income – including commission and rebate income	23,631	17,024
Total fee income	191,854	162,621

7 INVESTMENT RETURN

	2021 £'000	2020 £'000
Interest income on financial investments	63,492	51,775
Dividend income	103,169	73,471
Net gains on realisation of financial investments	747,542	631,209
Change in fair value of financial investments	2,478,286	849,543
Net foreign exchange gains	198,632	26,155
	3,591,121	1,632,153

8 ADMINISTRATIVE EXPENSES

	2021 £'000	2020 £'000
Staff costs		
Wages and salaries	56,301	57,309
Social insurance costs	5,652	5,688
Pension costs – defined contributions	4,439	3,670
Termination costs	1,078	1,588
Other staff costs	2,806	2,953
	70,276	71,208
Depreciation of property, plant and equipment	5,160	5,419
Amortisation of intangible assets – software	175	165
Auditors fees	3,018	2,974
Auditors fees non-audit services	701	701
Professional fees	21,172	8,772
Other administrative costs	23,563	25,173
Total administrative expenses	124,065	114,412

The average number of employees during the year was 1,129 (2020: 1,008). The auditors' fees for the audit of the annual accounts of the Company are £403k (2020: £285k), the auditors' fees for the audit for the annual accounts of the subsidiaries are £2,615k (2020: £2,689k) and the auditors' fees for audit-related assurance services are £701k (£701k).

9 FINANCE COSTS

	2021 £'000	2020 £'000
Interest expense on borrowings	18,040	9,516
Lease liability finance cost (note 27)	410	760
	18,450	10,276

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 2021 are detailed in note 25. There are no other gains or losses on these liabilities.

10 TAX CHARGE

	2021 £'000	2020 £'000
Current taxation charge	8,520	11,468
Deferred taxation charge	11,927	12,778
Taxation charge	20,447	24,246

* See note 2 for details of the restatement of comparative information.

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% (2020: 19%). The Group's UK life assurance entities are not only subject to tax at the UK standard rate (currently 19%) on their profits but are also subject to UK 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 policyholder taxes in 2021 was £4.2m (2020: £1.0m).

Guernsey taxation
Utmost Worldwide pays tax at 0% (2020: 0%) on its business in Guernsey. Applicable tax rates in other jurisdictions where the Guernsey subsidiaries suffer taxation were Hong Kong 8.25% (2020: 8.25%) on the first HKD 2M of assessable profits and 16.5% (2020: 16.5%) thereafter, 12.5% (2020: 12.5%) in Ireland, Switzerland average 20.3% (2020: 20.3%) and 17% (2020: 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% (2020: 0%). Applicable tax rates in other jurisdictions where the Isle of Man subsidiaries suffer taxation were Hong Kong 8.25% (2020: 8.25%) on the first HKD 2m of assessable profits and 16.5% (2020: 16.5%) thereafter, 12.5% (2020: 12.5%) in Ireland and 17% (2020: 17%) in Singapore.

Ireland taxation
The Irish operating subsidiaries are subject to tax at 12.5% (2020:12.5%).

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:

	2021 £'000	Restated* 2020 £'000
Profit on ordinary activities before taxation	387,659	109,860
Tax at the UK rate of 19% (2020: 19%)	73,655	20,873
Adjustment in respect of prior year	1,294	4,296
Impact of rate change	5,251	702
Recognition of unrecognised tax losses	(885)	(819)
Non-taxable profits	(57,908)	(377)
Non-deductible expenses	1,386	28
Tax on profit subject to UK policyholder rate	4,222	1,046
Increase in valued tax losses	–	333
Tax on profits subject to a different rate	(6,928)	(1,431)
Other	360	(405)
Tax charge for the year	20,447	24,246

* See note 2 for details of the restatement of comparative information.

11 ACQUIRED VALUE OF IN-FORCE BUSINESS

	2021 £'000	2020 £'000
Cost		
At 1 January	652,564	555,387
Value of in-force policies acquired	681,752	86,694
Foreign exchange movement	(12,998)	10,483
At 31 December	1,321,318	652,564
Accumulated amortisation		
At 1 January	169,420	114,644
Charge for the year	59,650	52,802
Foreign exchange movement	(3,803)	1,974
At 31 December	225,267	169,420
Net book value at 31 December	1,096,051	483,144
Current (within 12 months)	156,206	47,774
Non-current (after 12 month)	939,845	435,370
	1,096,051	483,144

12 DEFERRED ACQUISITION COSTS

	2021 £'000	2020 £'000
At 1 January	44,516	28,610
Acquisition costs capitalised during the year	18,076	17,519
Acquisition costs amortised during the year	(2,584)	(3,466)
Foreign exchange movement	(1,622)	1,853
At 31 December	58,386	44,516
Current (within 12 months)	7,556	13,541
Non-current (after 12 months)	50,830	30,975
	58,386	44,516

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

13 OTHER INTANGIBLE ASSETS

	Software £'000	Total £'000
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
Year ended 31 December 2021		
Opening net book amount	608	608
Additions	152	152
Amortisation charge	(175)	(175)
Closing net book value	585	585
Net book value		
Cost	3,770	3,770
Accumulated amortisation	(3,185)	(3,185)
At 31 December	585	585

14 PROPERTY, PLANT AND EQUIPMENT

	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	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

	Right of use asset £'000	Leasehold improvements computer and office equipment £'000	Total £'000
Year ended 31 December 2021			
Opening net book amount	18,111	2,644	20,755
Additions on acquisitions of subsidiaries	10,633	–	10,633
Additions in the year	957	706	1,663
Disposals	(96)	(10)	(106)
Depreciation charge	(4,085)	(1,075)	(5,160)
Foreign exchange movement	(393)	(178)	(571)
Closing net book value	25,127	2,087	27,214
At 31 December 2021			
Cost	34,528	15,911	50,439
Accumulated depreciation	(9,401)	(13,824)	(23,225)
Net book amount	25,127	2,087	27,214

15 FINANCIAL ASSETS AT FAIR VALUE HELD TO COVER LINKED LIABILITIES

	2021 £'000	2020 £'000
Fixed income securities	1,557,727	1,715,132
Deposits and loans	996,247	398,697
Ordinary shares and funds	55,128,036	30,012,259
Other investments	626,079	316,083
Modified coinsurance account	408,943	402,073
Cash and cash equivalents	3,253,320	2,245,374
	61,970,352	35,089,618

Included in the analysis above are investments of £1,791,364k (2020: £267,488k) 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.

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 "Financial assets at fair value 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) are matched by a change in investment contract liabilities in the Statement of Comprehensive Income.

15 FINANCIAL ASSETS AT FAIR VALUE HELD TO COVER LINKED LIABILITIES CONTINUED

Modified coinsurance account

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:

	2021 £'000	2020 £'000
Balance at 1 January	402,073	523,975
Deposits to investment contracts	3,958	4,633
Withdrawals from investment contracts	(118,214)	(60,220)
Attributable investment income	1,537	7,636
Attributable net gain/(loss) on investments	121,880	(70,842)
Policy charges	(2,250)	(3,069)
Attributable expenses and charges	(41)	(40)
Balance at 31 December	408,943	402,073

16 OTHER INVESTMENTS

	2021 £'000	2020 £'000
Debt securities – at fair value through profit and loss	1,517,125	1,697,546
Debt securities – at fair value through other comprehensive income	254,344	278,396
Debt securities at amortised cost	9,297	10,582
Ordinary shares and funds – at fair value through profit and loss	240,142	269,992
Other	21,527	23,371
	2,042,435	2,279,887

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 £11,568k at 31 December 2021 (2020: £11,036k). 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 2021 and 31 December 2020.

17 ITALIAN WITHHOLDING TAX PREPAYMENT AND ACCRUAL

	2021 £'000	2020 £'000
Asset		
Balance at 1 January	114,718	122,432
Payable in the year	17,647	18,303
Recovered from policyholders during the year	(13,492)	(10,971)
Prior year adjustments	(2,982)	(22,126)
Foreign exchange movement	(6,992)	7,080
Balance at 31 December	108,899	114,718
Liability		
Balance at 1 January	–	–
Payable in the year	–	18,303
Paid during the year	–	(18,303)
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	91,605	96,276
In more than five financial years, but not more than twenty financial years	17,294	18,442
Total	108,899	114,718

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.

18 OTHER RECEIVABLES

	2021 £'000	2020 £'000
Debtors arising out of investment and insurance contracts	46,114	64,753
Investment dealing debtors	13,966	10,781
Retirement benefit asset (see note 20)	3,018	37
BNPP collateral	7,400	11,300
Accrued income and prepayments	50,046	55,265
Policyholder loans	171,516	–
Other receivables	22,417	2,681
	314,477	144,817
Current (within 12 months)	304,059	133,517
Non-current (after 12 months)	10,418	11,300
	314,477	144,817

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

Policyholder loans are amounts taken from an individual policyholder's transaction account and loaned to the same policyholder. Policyholder loans are non-interest bearing and are deemed to be risk free from a shareholder perspective as the policyholder retains all associated risk. The loans are classed as repayable on demand as they have no specified repayment schedule. The impact of credit risk on fair value is not considered to be material as they are backed by the value of other policyholder assets.

19 CASH AND CASH EQUIVALENTS

	2021 £'000	2020 £'000
Deposits with credit institutions	173,755	5,321
Cash at bank	278,431	273,131
	452,186	278,452

20 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 only recognises 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 2021	
	RPS £'000	UWEPS £'000
Present value of funded obligations	(40,030)	(20,491)
Fair value of plan assets	39,713	23,509
Onerous liability	(1,131)	–
Net (liability)/asset recognised in the Statement of Financial Position	(1,448)	3,018

The amounts recognised in the Statement of Comprehensive Income are as follows:

	RPS £'000	UWEPS £'000
Net interest on defined benefit obligation	(27)	(1)
Re-measurement recognised	1,412	2,979
Actual return on fund assets	(213)	–
Pension scheme expenses	(205)	–
Change in onerous liability	(1,131)	–
	(164)	2,978

	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:

	RPS £'000	UWEPS £'000
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)

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

	For the year ended 31 December 2021	
	RPS £'000	UWEPS £'000
Change in retirement benefit obligation		
Retirement benefit obligation at 1 January	41,531	22,117
Benefits paid	(792)	(1,175)
Interest on obligation	590	301
Experience losses/(gains)	81	(635)
Losses/(gains) from changes in financial assumptions	(1,620)	(67)
Losses/(gains) from changes in demographic assumptions	127	(50)
Other	113	–
Retirement benefit obligation at 31 December	40,030	20,491

	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	(700)	(120)
Gains from changes in financial assumptions	5,200	3,251
Gains from changes in demographic assumptions	–	44
Other	(100)	–
Retirement benefit obligation at 31 December	41,531	22,117

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 2021	
	RPS £'000	UWEPS £'000
Change of fair value of plan assets		
Fair value of plan assets at 1 January	39,373	22,154
Interest on assets	563	302
Return on assets (not including interest)	(213)	2,228
Benefits paid	(792)	(1,175)
Contributions by the Group	1,011	–
Pension scheme expenses	(229)	–
Closing fair value of plan assets	39,713	23,509

	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

The weighted average durations of the liabilities of RPS and UWEPS were 23 years and 26 years respectively as at 31 December 2021 (24 years and 27 years respectively as at 31 December 2020).

20 RETIREMENT BENEFIT SCHEMES CONTINUED

Plan asset disaggregation by asset class

	As at 31 December 2021	
	RPS %	UWEPS %
Equities	29.3	73.4
Bonds	70.0	23.2
Property	–	2.7
Cash	0.7	0.7
	100.0	100.0

99.3% of plan assets are valued based upon a quoted market price.

	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

Plan assumptions

	As at 31 December 2021	
	RPS %	UWEPS %
Discount rate	1.9	1.8
Inflation	3.3	3.4
Rate of increase in deferred pensions	2.9	3.3
Rate of increase in pension payments	2.9	3.3

	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

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 2021	RPS	22.5	23.8	24.8	26.3
	UWEPS	23.2	24.2	24.9	26.0
31 December 2020	RPS	22.4	23.8	24.6	26.1
	UWEPS	23.2	24.7	26.8	28.3

Sensitivity analysis

The following tables illustrate the sensitivity of the Retirement Benefit Obligations of the two schemes at 31 December 2021 to changes in the significant actuarial assumptions. The below sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

RPS

	Impact on value of retirement benefit obligation	
	£m	£m
Scenario		
Interest rates – up 50 bps/down 50 bps	(3.9)	4.5
Inflation – up 50 bps/down 50 bps	2.5	(2.4)
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	(2.4)	2.9
Inflation – up 50 bps/down 50 bps	2.1	(2.1)
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 2021 the Group made contributions (including deficit funding) of £1.0m (2020: £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.

The Group is exposed to a number of risks relating to the pension schemes, including assumptions not being borne out in practice. These include:

- Asset volatility: There is a risk that a fall in asset values is not matched by a corresponding reduction in the value of the scheme liability.
- Change in bond yields: A decrease in corporate bond yields will increase the value placed on the scheme liability, although this will be partially offset by an increase in the value of the scheme's corporate bond holdings.
- Inflation risk: The scheme liability is linked to inflation, where higher inflation will lead to a higher value in the liability, which is not offset by a corresponding increase in the assets.
- Life expectancy: An increase in life expectancy will lead to an increase in the scheme liability.

There are a number of defined contribution schemes across the Group which Group employees are members of.

21 INVESTMENT CONTRACT LIABILITIES

The following table summarises the movement in financial liabilities under investment contracts during the year:

	2021 £'000	Restated* 2020 £'000
Balance at start of year	34,556,745	28,406,939
Addition on acquisition of subsidiaries	22,548,738	5,579,094
Deposits to investment contracts	2,803,062	1,769,569
Withdrawals from investment contracts	(2,662,317)	(3,089,518)
Fees and charges deducted including third-party charges	(145,696)	(121,495)
Commissions and rebates receivable	595	(26,558)
Change in investment contract liabilities	3,543,094	1,497,963
Other movements	(1,379)	1,107
Foreign exchange movement	(659,658)	539,644
Movement in the year	25,426,439	6,149,806
Closing balance carried forward	59,983,184	34,556,745

* See note 2 for details of the restatement of comparative information.

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.

22 INSURANCE CONTRACT LIABILITIES

	Gross liabilities 2021 £'000	Reinsurers' share 2021 £'000	Gross liabilities Restated* 2020 £'000	Reinsurers' share Restated* 2020 £'000
Insurance contracts	4,695,549	1,130,143	3,319,945	1,193,523
Investment contracts with DPF	42,875	–	63,511	–
As at 31 December	4,738,424	1,130,143	3,383,456	1,193,523
As at 1 January	3,383,456	1,193,523	2,616,321	783,213
Additions on acquisition of subsidiaries	1,627,813	7,236	737,546	363,781
Policyholder premiums	232,703	146,819	240,241	172,297
Policyholder claims	(296,443)	(118,644)	(311,896)	(114,926)
Other changes in liabilities	(152,648)	(65,723)	60,774	(20,385)
Foreign exchange movements	(56,457)	(33,068)	40,470	9,543
As at 31 December	4,738,424	1,130,143	3,383,456	1,193,523

The reinsurers' share balance above consists of the reinsurers' share of insurance contract liabilities balance of £1,188,038k (2020: £1,233,992k) offset by the reinsurance liability balance of £57,895k (2020: £40,469k).

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

	2021 £'000	Restated* 2020 £'000
Life assurance provision	4,383,293	2,993,693
Unearned premium reserve	21,455	31,507
Incurred but not reported reserve	57,275	65,125
Reported but not settled reserve	251,484	261,489
Other	24,917	31,642
	4,738,424	3,383,456

* See note 2 for details of the restatement of comparative information.
See note 31 for the key judgements and sensitivities in respect of insurance contract liabilities.

23 UNALLOCATED SURPLUS

	2021 £'000	2020 £'000
At 1 January	96,470	99,685
Addition on acquisition of subsidiaries	–	5,086
Transfer from/(to) Statement of Comprehensive Income	12,633	(9,975)
Foreign exchange adjustments	(1,771)	1,674
At 31 December	107,332	96,470

24 DEFERRED FRONT END FEES

The movement in value over the year is summarised below:

	2021 £'000	2020 £'000
At 1 January	52,256	37,981
Fees received and deferred during the year	16,103	14,054
Recognised in contract fees and other movements during the year	(3,668)	(1,656)
Foreign exchange movements	(2,621)	1,877
	62,070	52,256
Current (within 12 months)	6,886	4,727
Non-current (after 12 months)	55,184	47,529
	62,070	52,256

25 BORROWINGS

	2021 £'000	2020 £'000
Loan principal	400,000	300,000
Loan accrued interest	4,690	2,564
	404,690	302,564
Payable within one year	4,690	2,564
Payable after more than one year	400,000	300,000
	404,690	302,564

On 9 November 2020 Utmost Group plc 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.

On 15 September 2021 Utmost Group plc issued £400,000k of Tier 2 loan notes maturing in December 2031, listed on the Global Exchange Market. The Group used £300,000k of the proceeds of this issuance to repurchase the existing Tier 2 loan notes from its immediate parent company Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 4% with interest repayments in June and December. The fair value of the Tier 2 loan notes as at 31 December 2021 is £397,160k.

26 DEFERRED TAX ASSETS AND LIABILITIES

	2021 £'000	2020 £'000
Deferred tax assets	2,580	7,725

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

	2021 £'000	2020 £'000
Balance as at 1 January	7,725	5,881
Deferred tax (credit)/charge for the year	(4,864)	1,523
Foreign exchange movement	(281)	321
Balance as at 31 December	2,580	7,725

	2021 £'000	Restated* 2020 £'000
Deferred tax liability	57,774	40,205

The deferred tax liability arises on the acquisitions of Quilter International (£10,885k), UPE (£14,260k), Utmost Worldwide (£1,411k) and ELAS and RMIS (£31,218k), representing the associated tax impact of recognising the AVIF asset detailed in note 11 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:

	2021 £'000	Restated* 2020 £'000
Balance as at 1 January	40,205	22,714
Additions on acquisition of subsidiary	11,374	2,510
Deferred tax charge for the year	7,157	14,154
Foreign exchange movement	(962)	827
Balance as at 31 December	57,774	40,205

* See note 2 for details of the restatement of comparative information.

27 OTHER PAYABLES

	2021 £'000	2020 £'000
Tax payable/provision – policyholders	20,073	4,437
Corporation tax payable	12,204	3,908
Premiums received in advance of policy issue	43,268	7,282
Amounts due to investment contract holders	56,392	62,369
Investment dealing creditors	23,300	3,416
Lease liability	25,373	18,668
Collateral due to BNPP	7,400	11,300
Other creditors and accruals	111,277	110,652
	299,287	222,032

All other payables are due for settlement within one year with the exception of the defined benefit obligation (see note 20) included within other creditors and accruals, collateral due to BNPP and the lease liability as disclosed below:

	2021 £'000	2020 £'000
Opening amount	18,668	17,396
Additions on acquisition of subsidiary	10,633	4,472
Additions	999	257
Interest charge in the year (note 9)	410	760
Lease payments made in the year	(4,880)	(4,643)
Foreign exchange movements	(457)	426
	25,373	18,668

Current (within 12 months)	5,193	3,375
Non-current (after 12 months)	20,180	15,293
	25,373	18,668

28 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY/SHARE PREMIUM

	2021 Number	2020 Number
Allotted, called up and fully paid		
Ordinary shares of £1 each	392,500,000	100,000,000

	£'000	£'000
Ordinary shares of £1 each	392,500	100,000
	392,500	100,000

The movements in the year were as follows:

	Ordinary No. of shares 2021	Ordinary No. of shares 2020
At beginning of the year	100,000,000	1,206,548,000
Issued during the year	292,500,000	–
Redeemed during the year	–	(1,106,548,000)
At end of financial year	392,500,000	100,000,000

The share capital issued during the year was issued at par for £292,500,000 consideration received as cash.

29 FOREIGN CURRENCY TRANSLATION RESERVE

	2021 £'000	2020 £'000
At beginning of the year	11,629	1,300
Foreign currency translation movements in the year	(19,419)	10,329
At end of year	(7,790)	11,629

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.

30 CASH FLOW STATEMENT

	2021 £'000	Restated* 2020 £'000
Profit before taxation	387,659	109,860
Non-cash movements		
Amortisation of AVIF	59,650	52,802
Depreciation of property, plant and equipment	5,160	5,419
Amortisation of intangible assets	175	165
Gains arising on bargain purchases	(309,643)	(86,176)
Change in working capital		
Movement in investment contract and insurance contract liabilities, net of policyholder claims	4,236,963	(450,685)
Movement in unallocated surplus	12,633	(9,975)
Net movement in financial assets	(4,300,668)	457,099
Change in other working capital items	13,599	41,946
Net cash flows generated from operating activities	105,528	120,455

* See note 2 for details of the restatement of comparative information.

31 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.

Governance structure

The Group's governance structure comprises the Board and appropriate subsidiary board and Committee structures in each of the regulated operating companies. The key 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 also has a Nominations Committee and a With-Profits Committee.

From October 2021, the ARCC has been 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 meets at least four times a year, or more frequently if required.

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 circulated to the subsidiary operating businesses.

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 make 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. 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 and 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 ULPL 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 ULPL 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 financial and insurance risks, operational and compliance risk, risks directly related to execution of business strategy, including the distribution of products and acquisition and integration of other businesses, and strategic and external environment factors. 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

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:

- 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;
- Mortality/longevity – Higher than expected death claims on assurance products and payments for a longer duration for annuity products;
- Claims – Higher than expected claims on short-term insurance contracts.
- Options and guarantees – Higher than expected take-up rate on options or guarantees that are in the money.

The impact of Covid-19 on the mortality, expenses, lapses and claims risks of the Group has been limited during 2021.

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 £47.7m (2020: £32.2m). Covid-19 has not had a material impact to the expenses of the Group during the year.

Lapse and claim 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:

	Profit before tax	Shareholder equity
2021	**(£126.2m)**	**(£126.2m)**
2020	£1.9m	£1.9m

The increase in sensitivity to lapse rates is driven by the impact of the AVIF arising on the acquisition of Quilter International.

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, group 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.

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.

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.

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 these other risks including: 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.

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 2021 and 2020 year-end positions, the Group's material reinsurance counterparties have a credit rating of either AA- or A-.

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.

Insurance risk by product

As detailed in note 22, approximately 24% (2020: 35%) 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 is 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.

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 net assets due to significant reinsurance.

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.

31 RISK MANAGEMENT CONTINUED

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.

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 £60.9m (2020: £71.0m).

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.

Investment and market risks

The use of financial instruments naturally exposes the Group to the risks associated with them, primarily market risk, credit risk and capital solvency 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 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 risks are relatively low as assets are invested in short-dated highly rated instruments. 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 reduction in the net assets of the Group would be approximately £11.1m (2020: £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 products 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 £16.1m (2020: £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.

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 shareholder debt securities held in UW and ULP. 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 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 include an allowance for a default margin to make allowance for credit risk.

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

	2021		2020	
	Profit before tax	Shareholder equity	Profit before tax	Shareholder equity
Increase of 100 bps in interest rates	£5.5m	£5.3m	£14.1m	£11.2m
Decrease of 100 bps in interest rates	(£42.3m)	(£43.0m)	(£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 the Isle of Man, Ireland, UK, and Guernsey and is exposed to currency risk between the functional currency of Euro of the Irish business and the functional currency of the Group, 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 hedge foreign currency cash flows using a hedged item but does use asset liability matching to mitigate currency risk.

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.

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%:

	2021		2020	
	Profit before tax	Shareholder equity	Profit before tax	Shareholder equity
Appreciation of GBP by 20%	**(£54.8m)**	**(£62.7m)**	(£2.7m)	(£2.7m)
Depreciation of GBP by 20%	**£0.7m**	**£8.6m**	£2.7m	£2.7m

The increase in sensitivity to foreign exchange rates is driven by the impact of the AVIF arising on the acquisition of Quilter International.

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 17. 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 Committees, 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.

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 established a Credit and Liquidity Policy and has set out its risk appetite to maintain its assets in institutions and instruments with strong credit ratings. Operating businesses have local credit risk policies in place, aligned to the Group risk appetite, and monitor exposure to credit risk on an ongoing basis. Investment guidelines for each subsidiary are subject to approval by the relevant Investment Committee and/or Board, as appropriate.

There are three 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 arising through unit linked funds.
- 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 operating businesses manage the level of credit risk they accept through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives.

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 operating business is responsible for setting an Investment Policy that formalises risk limits around counterparty exposure 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 £10m. 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 subsidiary executive committees and measured through stress and scenario testing.

The Group has 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 on the credit risk exposures of the Group.

The maximum exposure to credit risk before any credit enhancements at 31 December 2021 and 31 December 2020 is the carrying amount of the financial assets detailed in the shareholder backed assets credit rating table below.

31 RISK MANAGEMENT CONTINUED

Shareholder backed assets

The Group's shareholder backed assets which are exposed to credit risk are set out below along with the credit rating category of the issuer or counterparty:

	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Non-Rated £'000	Total £'000
Cash and cash equivalents	–	2,334	248,241	22,160	2,114	–	177,337	452,186
Deposits	–	–	26,148	13,018	–	–	–	39,166
Other receivables	220	3,918	28,821	10,835	–	–	270,683	314,477
Withholding tax asset	–	–	–	108,899	–	–	–	108,899
Other investments								
Debt securities – at fair value through profit and loss	191,230	741,031	335,678	245,059	–	–	4,127	1,517,125
Debt securities – at fair value through other comprehensive income	144,199	45,248	42,488	22,401	–	–	8	254,344
Debt securities at amortised cost	1,803	6,150	1,344	–	–	–	–	9,297
Total	**337,452**	**798,681**	**682,720**	**422,372**	**2,114**	–	**452,155**	**2,695,494**

Maturity analysis

31 December 2021	Total £'000	Within 1 year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Financial investments	64,012,787	424,017	725,990	892,428	61,970,352
Cash and cash equivalents	452,186	452,186	–	–	–

31 December 2021	Total £'000	Within 1 year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Insurance contract liabilities and reinsurance liabilities	4,796,319	4,132,228	391,051	273,040	–
Investment contract liabilities	59,983,184	–	–	–	59,983,184
Borrowings	404,690	4,690	–	400,000	–

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	–	–	–

Restated* 31 December 2020	Total £'000	Within 1 year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Insurance contract liabilities and reinsurance liabilities	3,423,925	2,818,516	376,688	228,721	–
Investment contract liabilities	34,556,745	–	–	–	34,556,745
Borrowings	302,564	2,564	–	300,000	–

* See note 2 for details of the restatement of comparative information.

The majority of the Group's insurance contract liabilities are unit linked insurance contracts and these contracts may be surrendered or transferred on demand and therefore have a minimum maturity of 0-1 years. In practice, this is unlikely to happen given that these products are long-term 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.

Operational and Compliance 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 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. Business recovery plans are in place for workspace recovery and retrieval of data and IT systems. These procedures would enable the Group's operating businesses to move operations to alternative facilities.

Cyber risk
The Group mitigates cyber risk through 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
Covid-19 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 in note 33 to these financial statements.

Outsourcing and Third-Party supply chain risk (including Cloud providers)
The Group has implemented an Outsourcing Policy which requires appropriate organisational safeguards to be implemented to monitor the performance of outsourcers and management of risks associated with critical and important outsourced activities. A Group Third Party Supplier Management (non-outsourcers) policy is being implemented to manage risks associated with key third parties, particularly where the operating businesses are reliant upon third parties to deliver or support important business services.

Compliance risk
Regulatory compliance risk primarily arises from a failure or inability to comply fully with the laws, regulations, standards or codes applicable to the business activities, and territories, of Group and its subsidiaries. Any non-compliance may result in the Group being subject to regulatory sanctions, material financial loss or damage 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.

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 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 advisors. 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 advisors. If the costs associated with the resolution of tax matters are greater than anticipated, it could negatively impact the financial position of the Group.

Business and Other risks
Acquisition & Integration risk
These are the risks that the Group is exposed to through execution of its business strategy, in its chosen markets. The particular business 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.

Distribution risk
The Group is also exposed to Distribution risks through its operating businesses selling products across multiple jurisdictions and territories. The Group Distribution policy sets out the minimum requirements expected to ensure compliance with differing regulations and risk appetite, and associated risks are closely monitored by Global sales management.

32 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: Fair value measurements derived using significant assumptions that are unobservable. 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.

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. 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 RISK MANAGEMENT CONTINUED

31 December 2021	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets				
– Financial assets held at fair value to cover linked liabilities	61,970,352	48,850,301	11,328,687	1,791,364
– Debt securities – fair value through profit and loss	1,517,125	967,625	549,500	–
– Debt securities – fair value through other comprehensive income	254,344	254,344	–	–
– Other investments at fair value	433,091	289,613	138,932	4,546
	64,174,912	50,361,883	12,017,119	1,795,910
Total assets not at fair value	3,129,017			
Total assets per Statement of Financial Position	67,303,929			
Investment contract liabilities	59,983,184	–	58,191,820	1,791,364

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			
Investment contract liabilities	34,556,745	–	34,289,257	267,488

A reconciliation of the opening to closing balances in the 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 2020	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
Additions on acquisition of subsidiaries	1,546,568
Transfers into level 3	51,078
Transfers out of level 3	(41,191)
Total gains or losses:	
– In profit or loss	1,623
– In policyholder liabilities	(15,629)
Disposals	(5,134)
Foreign exchange movements	(14,404)
Balance at 31 December 2021	1,795,910

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting year 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, the UK and Guernsey to limit exposure to level 3 assets, and the Isle of Man has a general policy of no further investment into level 3 assets.

99.7% (2020: 98.0%) of the Group's level 3 financial assets are held to back unit linked business. As such, movements in the fair value of those assets will typically be offset by corresponding movements in investment contract liabilities with no impact to the profit or equity of the Group. The other investments at fair value in level 3 relates to an unlisted equity investment in a private limited company. This investment is valued using the latest available net asset statement and a 10% increase in the net asset value of this investment would increase its fair value by £455k. A decrease of 10% in the net asset value would have an equal but opposite impact on the fair value.

33 COVID-19

Global sentiment around the globe improved in early 2021 with the rollout of effective vaccines to combat the Covid-19 pandemic. An increasing number of colleagues returned back to our offices through 2021. The adaptations made through 2021 in areas such as client servicing and the acceleration of our digital strategy, with developments in our online servicing to provide customers with easy access to details of their policies, will lead to longer term efficiencies in our business model. Client confidence in our business in 2021 was demonstrated by our strong new business figures and by the high retention rates among our policyholders. The impacts of Covid-19 on the Group in 2021 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 2021 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.

34 CAPITAL MANAGEMENT

It is the Group's policy to maintain a strong capital base in order to meet its obligations. 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 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 Quilter International Isle of Man Limited the corresponding ratios are 125% at all times and 150% 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 Prudential Regulation Authority.

Entities within the Group which are regulated as at 31 December 2021 are as follows:

- Utmost Limited, Quilter International Isle of Man Limited, Utmost Trustees Solutions Limited, Utmost Administration Limited, Quilter International Business Services Limited and Quilter International Trust Company Limited are regulated by the Isle of Man Financial Services Authority.
- Utmost PanEurope DAC and Quilter International Ireland DAC are regulated by the Central Bank of Ireland.
- Utmost Bermuda Limited is regulated by the Bermuda Monetary Authority.
- Utmost Worldwide Limited and Utmost Portfolio Management Limited are regulated by the Guernsey Financial Services Commission ("GSFC").
- 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 and Quilter International Isle of Man Limited are subject to local regulation in the country in which they operate.

The GSFC approved a request to change the Utmost Worldwide capital policy from 155%, at all times, and 170%, immediately after a dividend, to align with the wider Group approach. This has been the only 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.

35 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, 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.

36 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
2021	2,266	200	2,466
2020	2,225	200	2,425

The highest paid director received £1,213k (2020: £1,213k).

Transactions with related parties

The Group has holdings in the European Senior Loan Fund of a related party Oaktree as detailed in note 16. 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.

37 DIRECTORS' AND SECRETARY'S INTERESTS

At 31 December 2021 and 31 December 2020 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 2021	Paul Thompson	Ian Maidens
Utmost Topco Limited – C ordinary shares of £1 each	2,530	2,530
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	30,177,615	30,177,615

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

38 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings £'000
2021	
As at 1 January	302,564
Cash flows	
Tier 2 loan issued in the year	400,000
Repayments made in the year	(300,000)
Change in interest accrual	2,126
As at 31 December	404,690

2020	
As at 1 January	161,323
Cash flows	
Borrowings drawn down in the year	300,000
Repayments made in the year	(161,323)
Change in interest accrual	2,564
As at 31 December	302,564

39 EVENTS AFTER THE YEAR-END DATE

On 27 January 2022 Utmost Group plc issued £300,000k of Restricted Tier 1 Contingent Convertible Notes, listed on the Global Exchange Market. The interest rate on the Notes is 6.125% with interest repayments in June and December. The Notes are perpetual with a first call date of 15 December 2028. The Notes meet the definition of equity under IFRS and accordingly will be shown as a separate category within equity at the proceeds of the issue.

Immediately after receiving the £297,600k net proceeds of the issue, the Company paid a £290,000k dividend to its immediate parent company Utmost Holdings (Guernsey) Limited ("UHGL"). UHGL used part of this dividend to repay all of its outstanding bank debt.

The Group is continuing to monitor developments regarding the invasion of Ukraine by Russian forces. As at 31 December 2021, the Group has no direct exposure to Russian assets through its shareholder assets. Through our unit linked solutions, the Group has a small indirect exposure to Russian assets. Of the £63.7bn assets under administration, the exposure accounts for less than 0.5%.

Company Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Investment income			
Change in fair value of subsidiaries	3	217,097	(69,124)
Dividends received	4	55,356	171,186
		272,453	102,062
Expenses			
Administrative expenses		(2,699)	–
Interest expense		(17,488)	(2,564)
Profit for the year before tax		252,266	99,498
Tax credit	6	2,786	487
Profit for the year after interest and tax		255,052	99,985

Income and expenses for the year derive wholly from continuing operations. The notes on pages 131 to 132 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 90 to 97.

Company Statement of Financial Position

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Investment in subsidiaries	3	2,091,598	1,465,501
Cash and cash equivalents		12,282	35,000
Other assets		2,786	487
Total assets		2,106,666	1,500,988
Liabilities			
Tier 2 loan notes	5	404,690	302,564
Total liabilities		404,690	302,564
Equity			
Called up share capital presented as equity	7	392,500	100,000
Merger relief reserve	7	155,910	155,910
Retained earnings		1,153,566	942,514
Total equity		1,701,976	1,198,424
Total equity and liabilities		2,106,666	1,500,988

The notes on pages 131 to 132 form an integral part of these financial statements.

The financial statements on pages 127 to 132 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Paul Thompson
Director
27 April 2022

Ian Maidens
Director
27 April 2022

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital presented as equity £'000	Merger relief reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2020	–	–	–	–
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
Profit and total comprehensive income for the year	–	–	255,052	255,052
Issue of share capital	292,500	–	–	292,500
Dividends paid	–	–	(44,000)	(44,000)
Balance as at 31 December 2021	392,500	155,910	1,153,566	1,701,976

The notes on pages 131 to 132 form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash flows from operating activities	8	53,144	59,000
Cash flows from investing activities			
Share capital purchased in subsidiary	3	(409,000)	–
Net cash used in investing activities		(409,000)	–
Cash flows from financing activities			
Tier 2 loan notes issued		400,000	–
Tier 2 loan notes repurchased		(300,000)	–
Share capital issued		292,500	–
Interest paid		(15,362)	–
Dividends paid		(44,000)	(24,000)
Net cash flows from financing activities		333,138	(24,000)
Net (decrease)/increase in cash and cash equivalents		(22,718)	35,000
Cash and cash equivalents at the beginning of the year		35,000	–
Cash and cash equivalents at the end of the year		12,282	35,000

The notes on pages 131 to 132 form an integral part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 90 to 97. The notes identified on pages 131 to 132 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 SUBSIDIARIES

	2021 £'000	2020 £'000
Cost		
At 1 January	1,534,625	–
Acquisitions and capital contributions during the year	409,000	1,534,625
At 31 December	1,943,625	1,534,625
Revaluation		
At 1 January	(69,124)	–
Movement in fair value	217,097	(69,124)
At 31 December	147,973	(69,124)
Fair value at 31 December	2,091,598	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" 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 (2020: 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 £82,806k (2020: £47,368k).

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 2021, the value of VIF outside the contract boundary is £104,446k (2020: £101,181k).

Fair value gains of £217,097k are recognised in the Statement of Comprehensive Income in the year ended 31 December 2021 (2020: £69,124k fair value losses) 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 134 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 2021 and 2020.

In determining fair value management have applied a valuation multiple of 90% of economic value (2020: valuation multiple of 100%). The impact of applying a 90% valuation multiple rather than a 100% valuation multiple (as was applied in 2020) in determining fair value is included within the "Movement in fair value" line in the table above. The impact of applying a 100% valuation multiple would be an increase to the fair value of investment in subsidiaries of £230,396k. 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% (2020: 80% to 120%). The impact on the fair value of investment in subsidiaries of a 5% change in the valuation multiple would be £115,198k (2020: £73,068k).

4 DIVIDENDS RECEIVED

During the year the Company received dividends of £55,356k from its subsidiaries (2020: £171,186k).

5 TIER 2 LOAN NOTES

	2021 £'000	2020 £'000
Tier 2 loan notes principal	400,000	300,000
Tier 2 loan notes accrued interest	4,690	2,564
	404,690	302,564
Payable within one year	4,690	2,564
Payable after more than one year	400,000	300,000
	404,690	302,564

On 9 November 2020 Utmost Group plc 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.

On 15 September 2021 Utmost Group plc issued £400,000k of Tier 2 loan notes maturing in December 2031, listed on the Global Exchange Market. The Group used £300,000k of the proceeds of this issuance to repurchase the existing Tier 2 loan notes from its immediate parent company Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 4% with interest repayments in June and December. The fair value of the Tier 2 loan notes as at 31 December 2021 is £397,160k.

6 TAXATION

	2021 £'000	2020 £'000
Current tax credit	2,786	487

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

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation	252,266	99,498
Tax at the UK rate of 19% (2020: 19%)	(47,931)	(18,905)
Non-taxable income	10,518	32,525
Non-taxable gains/(losses)	41,249	(13,133)
Losses surrendered to other Group companies for no payment	(1,050)	–
Tax credit for the financial year	2,786	487

In June 2021 the Government increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023. This increase in the tax rate has had no impact on the Company's tax credit during the period as the Company had no deferred tax assets or liabilities as at 31 December 2021.

7 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY/MERGER RELIEF RESERVE

The share capital of the Company is the same as that of the Group in note 28 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 in 2020.

8 CASH FLOW STATEMENT

	2021 £'000	2020 £'000
Profit before taxation	252,266	99,498
Non-cash movements		
Net change in fair value of subsidiaries	(217,097)	69,124
Finance costs	17,488	2,564
Dividend income	–	(112,186)
Change in working capital		
Change in other working capital items	487	–
Net cash flows generated from operating activities	53,144	59,000

9 RISK MANAGEMENT

Risk management in the context of the Group is considered in the Group consolidated financial statements, note 31. 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 36 and 37 in the notes to the consolidated financial statements.

Transactions with related parties

Transactions between the Company and related parties are detailed in note 36 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 39 in the notes to the consolidated financial statements.

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 (UK-adopted International Accounting Standards for the Group for the year ended 31 December 2021), 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 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 15 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:

	2021 £'m	2020 £'m
AUA	63,669	36,691
Financial assets at fair value held to cover linked liabilities	61,970	35,090
Reinsurers' share of insurance contract liabilities	1,188	1,234
Other investments	511	367
Total (as per Statement of Financial Position)	63,669	36,691

The £63.7bn AUA at end 2021 compares favourably to the YE 2020 figure of £36.7bn. The £27.0bn increase to the 2020 figure represents the acquisition of Quilter International on 30 November 2021 as well as investment returns made by the Group, albeit largely attributable to customers of unit linked products (approximately 97% 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 more representative 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 more representative 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. The non-recurring items in the table below relate to non-economic assumption changes in ULP which are not expected to recur in future years.

A reconciliation between the Group's operating profit and IFRS PBIT for 2021 and 2020 is shown below:

	2021 £'m	Restated* 2020 £'m
IFRS PBIT as per Statement of Comprehensive Income	406	120
Gain on bargain purchase	(310)	(86)
Amortisation of AVIF & depreciation	65	58
Non-recurring items	(29)	–
Group Operating Profit	132	92

* See note 2 for details of the restatement of comparative information.

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 monitors 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 monitors 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 2021 is £2,175m (2020: £1,342m). This APM can be reconciled to IFRS information as follows:

	2021 £'m	2020 £'m
UGP fair value of investment in subsidiaries[1]	2,092	1,466
50% of risk Margin add back	248	141
UGP cash[1]	12	35
Investment in subsidiary valuation multiple add back	230	–
Other	(7)	–
SII EV gross of debt	2,575	1,642
UGP Debt	(400)	(300)
SII EV net of debt	2,175	1,342

1. As per parent company Statement of Financial Position.

CLIENT RETENTION

Client retention is broadly calculated as the proportion of customers at the start of the year, who remained as customers 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 plc

Company (the)
Utmost Group plc

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 plc 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

MCR
Minimum Capital Requirement

Midco
Utmost Midco Limited

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

UIGH
Utmost International Group Holdings 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 International Ireland
The Group of companies comprising Utmost Holdings Ireland Limited and its subsidiaries, including Utmost PanEurope DAC

Utmost International 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

UW
Utmost Worldwide Limited

UWS
Utmost Wealth Solutions

VIF
Value of In-Force

VNB
Value of New Business

COMPANY INFORMATION

DIRECTORS
Paul Thompson
Ian Maidens
Christopher Boehringer
Katherine Ralph (appointed 2 February 2021)
Gavin Palmer (appointed 28 July 2021)
James Fraser (appointed 8 October 2021)

SECRETARY
Corinna Bridges

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PRINCIPAL BANKERS
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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 plc 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 2021 Annual Report and Accounts is or should be construed as a profit forecast or estimate.

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