utmost™
INTERNATIONAL

Annual Report 2019

REASSURINGLY DIFFERENT

Contents

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

For further information, please see page 102.

This document contains, and Utmost International may make other statements (verbal or otherwise) containing, forward-looking statements and other financial and/or statistical data about the current plans, goals and expectations relating to future financial conditions, or the performance, results, strategy and/or objectives of Utmost International.

For further information, please see page 106.

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.

The world is changing. We are all connected.

Utmost International adapts to change by offering innovative financial solutions to support our clients.

We provide a safe haven to safeguard their futures and those of future generations.

We constantly consider all of our stakeholders. Our agility ensures we continue to operate with the support of our clients, employees, distribution partners, communities, and the environment in which we live.

These relationships are important to us as we strive to operate successfully in changing times.

REASSURINGLY DIFFERENT.

Utmost International is a leading life assurance group which provides insurance solutions to help preserve our clients' wealth and safeguard it for future generations.

Our vision is to become the leading provider of insurance products to wealthy individuals in countries where insurance offers a planning advantage.

Utmost International continued its growth trajectory during 2019. We believe that the difference lies in the balance of our geographical footprint and complementary businesses, our commitment to our partnerships, and continued focus on developing and delivering high-quality solutions and support to our clients and partners. We remain keenly focused on capturing the upside in our markets, delivering our strategic goal of organic growth, providing good client outcomes as well as delivering strong returns to our investors. Our long-term vision and entrepreneurial mindset enable us to achieve our value creation potential.

What we do

Utmost International serves two attractive global markets through its principal businesses, Utmost Wealth Solutions ("UWS") and Utmost Corporate Solutions ("UCS").

The Utmost International Group (the "Group") has been assembled through a number of acquisitions. By bringing these businesses together under a common strategy and brand, Utmost International is a financially and operationally robust insurance group that is strongly positioned to support our clients.

Utmost Wealth Solutions is a leading provider of wealth solutions through the use of unit-linked life assurance products, and Capital Redemption Bonds in relevant markets. Our clients are affluent, High-Net-Worth ("HNW") and Ultra-High-Net-Worth ("UHNW") individuals who are based in a wide range of jurisdictions globally. Our products help our clients to preserve their wealth and safeguard it for future generations.

This is a specialist market, which demands focus and rewards scale and technical expertise – in particular the agility to react to the changing environments in our markets.

Utmost Corporate Solutions provides employee benefits including life, disability and critical illness cover to the employees of its clients (mainly Multi National Corporates ("MNCs")) as well as pensions and savings products for the employees themselves.

UCS offers a unique global employee benefit proposition for clients with staff situated across multiple global jurisdictions.

Who we are

Our values help our businesses and our employees to deliver outcomes which reward our clients and stakeholders. We are here to make an impact.

We are:

I

Inspiring
We have a clear vision and direction, with the confidence and experience to try new ideas in order to enact meaningful change where required.

M

Motivated
Our positive attitude and energetic approach serve us in realising our potential. We are ambitious thinkers and strive to become leaders in our chosen markets.

P

Personable
We care deeply about making a difference to our stakeholders. Our approach is one of empathy and respect and we bring a personal touch to the innovative solutions we deliver.

A

Adaptable
We use our experience to adapt to any changes in circumstances or requirements. We are mindful of broader industry trends in our decision-making.

C

Collaborative
We work productively with our stakeholders to ensure our choices make a positive difference. Our approach encourages communication, teamwork and mutual respect.

T

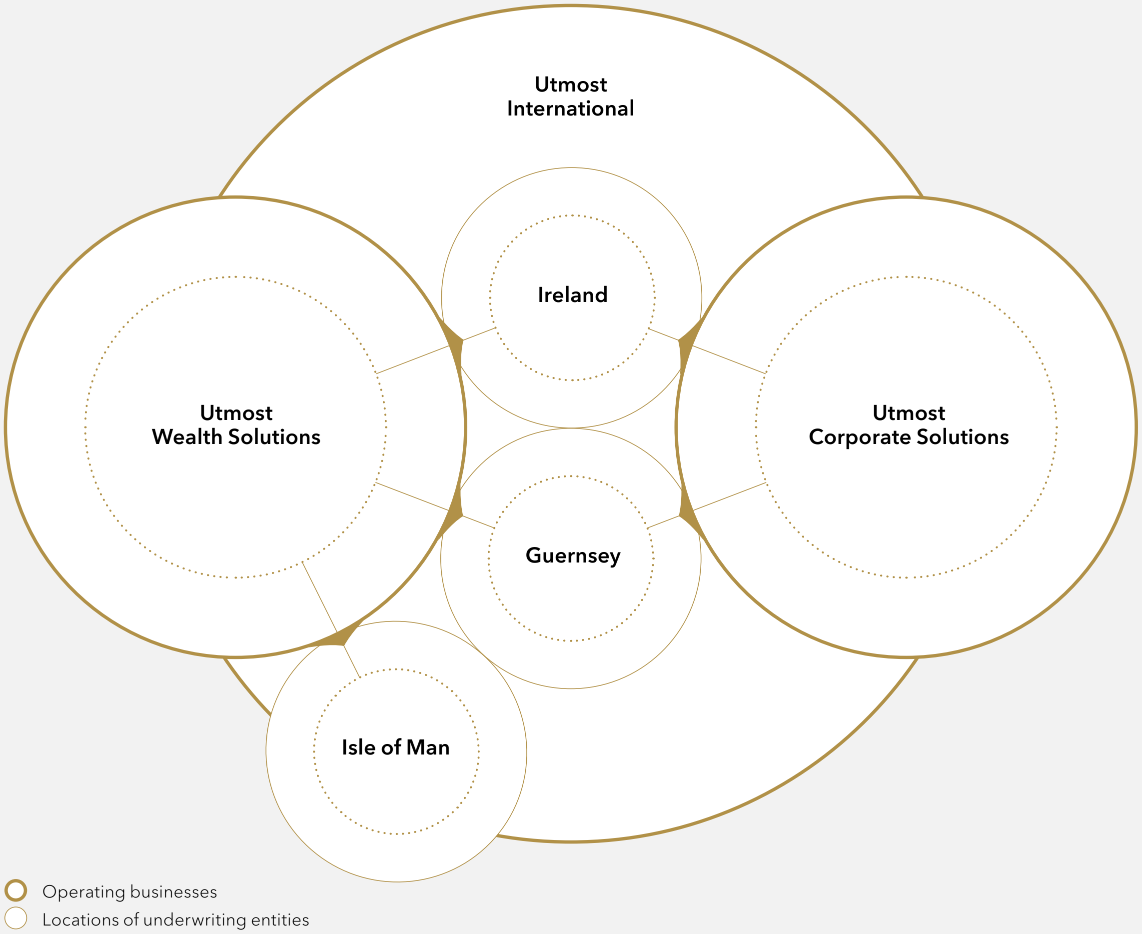
Trustworthy
Our honesty, reliability and professionalism have helped us achieve high standing amongst our partners and industry peers. We stay true to our word, true to our stakeholders' interests and are here for the long term.

How we operate

Utmost International group functions operate from the London office where the Group CEO and Group CFO are based. Group functions include strategy and corporate development, investor relations, finance, actuarial, tax and the Company Secretary.

The Utmost Wealth Solutions and Utmost Corporate Solutions businesses are operated through offices based in Ireland, the Isle of Man and Guernsey. The life insurance businesses are serviced by specialist life insurance service companies, Utmost Services Limited and Utmost Services Ireland Limited. Each of the wealth and corporate solutions businesses have teams in and across the jurisdictions which perform the following functions:

- Customer services
- Sales and marketing
- Product and proposition development
- Operations, technology and security
- Finance, actuarial, tax
- Legal, risk, governance and compliance
- Human resources.

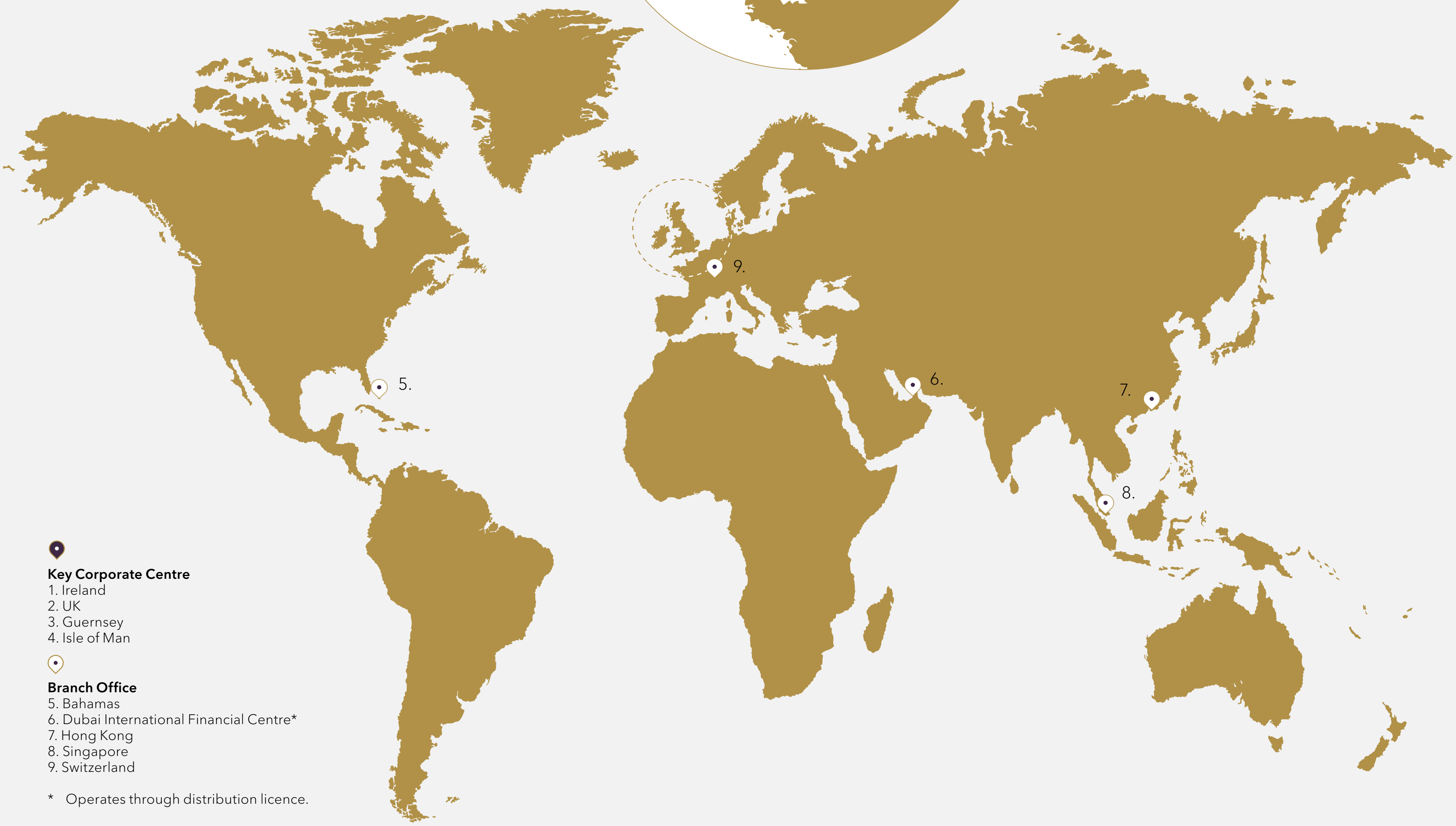


> Utmost International strives to be the leading provider of insurance solutions to wealthy individuals in countries where insurance offers a planning advantage.

A truly global footprint

Where we operate

Our global footprint broadened in 2019 with the acquisition of Utmost Worldwide and resulting access to growth opportunities in Asia, Latin America, and in the Middle East. The extensive branch and distribution network acquired with Utmost Worldwide complements our market-leading position in key European markets including the UK, Italy, Portugal and Spain. Our combined experience and expertise enable us to continue to deliver our organic growth ambitions, drive the continuing evolution of our proposition to meet client needs worldwide, and provide strong returns to our investors.



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

Branch Office
5. Bahamas
6. Dubai International Financial Centre*
7. Hong Kong
8. Singapore
9. Switzerland

* Operates through distribution licence.

Our corporate structure

Holding companies
Operating entities

Read more about our governance structure on page 36.

A strong trajectory built on solid foundations

2013

The Utmost Group of Companies (formerly LCCG) was founded by Paul Thompson (Group CEO) and Ian Maidens (Group CFO) with backing from Oaktree Capital

2015-2017

The Utmost Group of Companies completed acquisitions of books of business in Ireland and in the Isle of Man, including Scottish Mutual International, Aviva Life International and Augura Life. In 2016, AXA Isle of Man, one of the largest providers of offshore bonds to the UK market was acquired. Utmost International was formed

2018

June
Utmost International acquired Generali PanEurope, continuing to progress its vision to create a market-leading, specialist wealth manager with a global footprint

December
Utmost International acquired Athora Ireland's (formerly Aegon Ireland) International investment bond business

2019

February
Utmost International purchased Generali Worldwide Insurance Company Limited

February
All businesses within the Group were rebranded to reflect the Utmost brand, vision and ethos

April
Utmost Worldwide opened its office in the Dubai International Financial Centre

June
Fitch Ratings assigned "A" Investment grade credit ratings to the life insurance entities

September
Completion of the Athora migrations: of over 7,000 policies to our strategic platform (See further, page 24)

October
Completion of the merger of the three Irish life insurance companies (See further, page 11)

November
Utmost Corporate Solutions launched its Global Risk Solution

2020

In numbers[1]

A
Insurer Financial Strength Rating assigned to the three life insurance companies[2]

840+
Employees

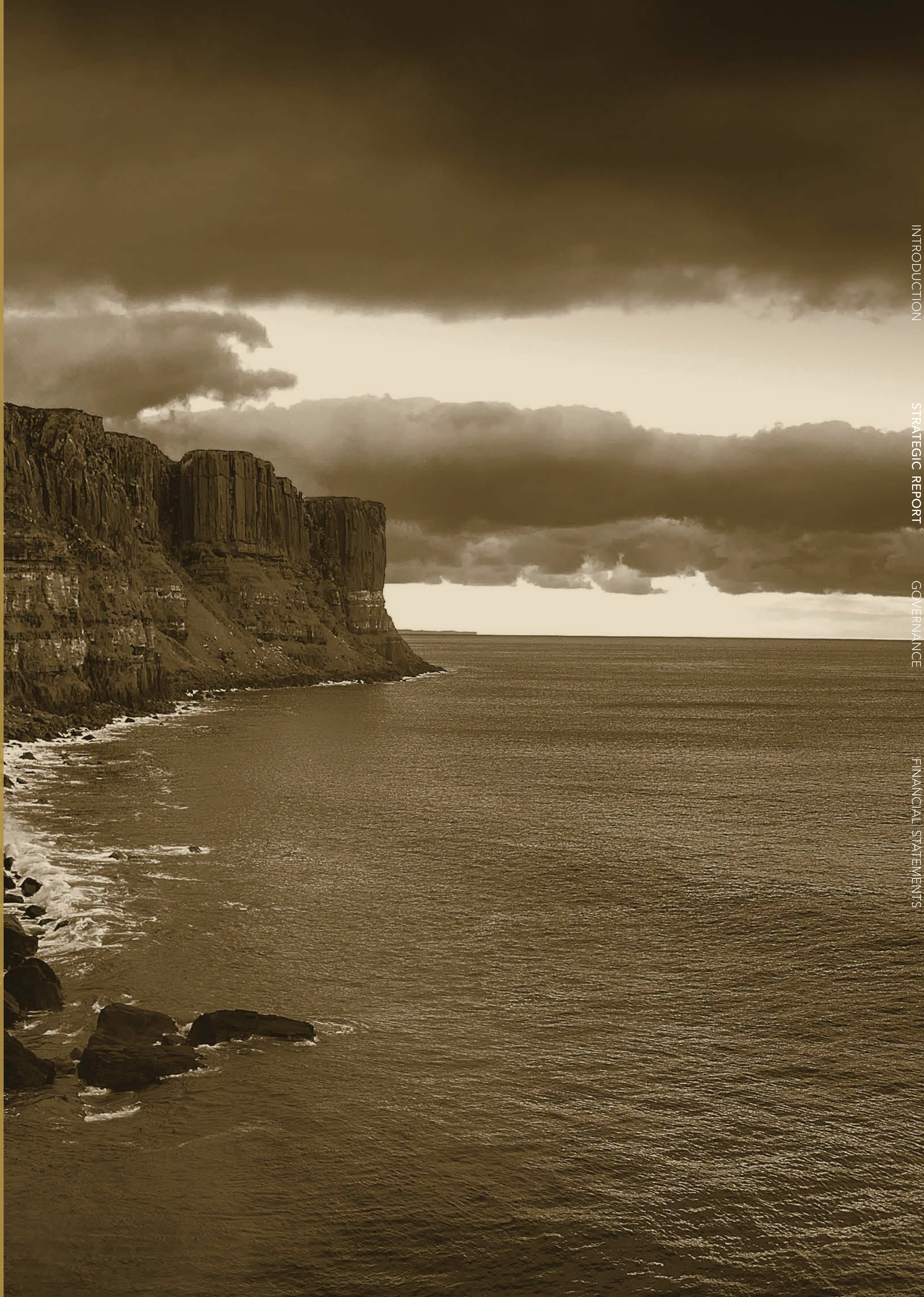
133,000
Customers

161%
Net Solvency Coverage Ratio

£29.4BN
Assets under Administration by Utmost International

1. Figures at 31 December 2019 unless stated.
2. Utmost PanEurope DAC, Utmost Limited, Utmost Worldwide Limited.

Strategic Report



Paul Thompson
Group Chief Executive Officer

2019 was, in all respects, a successful year for Utmost International. Our success is the result of our long-term vision and stems from the balance of our geographical footprint and complementary businesses.

2019 was, in all respects, a successful year for Utmost International. Our business was profitable, it delivered on our ambitious strategic goals and above all, delivered good outcomes for our clients. The balance of our geographical footprint and complementary businesses, our commitment to our partnerships, and continued focus on developing and delivering high-quality solutions to our clients made the difference. Our business was supported by strong asset performance in spite of underlying political and trade uncertainty.

This was the year in which we welcomed Generali Worldwide, since rebranded to Utmost Worldwide Limited ("UW"), into our Group. This opened new growth opportunities in Asia, the Middle East and Latin America. The acquisition represents a new phase in the development of the Group and gives us the global reach to meet our ambitious growth plans. Confidence in our proposition through a period of frequent acquisitions has been demonstrated through the unwavering support of our partners and the strong new business flows recorded in our Wealth and Corporate businesses.

We are proud of the excellent progress made in the consolidation of our existing businesses, laying strong foundations for the future development of the Group. We successfully completed the migration of the Athora Ireland international bond portfolio onto our strategic administration platforms and completed the merger of our three Irish life companies into one, in line with our strategic goal of delivering synergies through the successful integration of our acquired businesses.

As we enter the new decade, our long-term vision is clear. Utmost International reaffirmed its ambition to be the leading provider of insurance solutions to wealthy individuals in countries where insurance offers a planning advantage. Our ambitions are substantial, and we see a compelling growth opportunity in our markets.

A period of considerable uncertainty lies ahead as the world deals with the fallout of the ongoing Covid-19 pandemic. Whilst the health and safety of our employees, partners and clients is paramount, we are confident in the resilience of our business to withstand the current challenges and are acutely aware of our broader role in society. We remain keenly focused on capturing the upside in our markets, delivering our strategic goals of organic growth, providing good client outcomes and delivering strong returns to our investors.

Corporate Development

In addition to the many successes of our Group, highlights of the year include the acquisition of UW. UW added scale to Utmost Wealth Solutions ("UWS"), our wealth solutions business, and Utmost Corporate Solutions ("UCS"), our Employee Benefits business, which together provide diverse sources of revenue. UW's extensive branch network complements Utmost International's existing leading position in European markets and further strengthens our global footprint. The acquisition adheres to our strict deal criteria which include a complementary geographic and product footprint that will enhance our franchise, opportunities for synergy creation, an attractive price, and a compelling return for our investors. The deal was financed through a mixture of bank loans and equity and maintained the Group's conservative leverage ratios.

The financial discipline and management expertise of the Group was recognised through the achievement of our inaugural credit rating from Fitch Ratings ("Fitch"). Fitch assigned the life insurance entities investment grade ratings of 'A' IFS with a stable outlook, which is a robust recognition of the prudent and conservative manner in which the Group is managed. It reflects our strong capitalisation and low leverage ratios. Our leading business franchise in the international life and savings market was noted by Fitch.

Growing our businesses

We operate a scalable business and this scale enables us to continually invest in our proposition and maintain a premium level of client servicing, whilst covering the high fixed cost base inherent in the insurance industry. To this end, we continue to seek attractive acquisition opportunities which are supportive to our strategy.

Core to our strategic goals is the organic growth of our UWS and UCS businesses. In 2019, our APE was strong at £173m, buoyed by good momentum in our core UK and Italian markets. Our strong sales figures are testament to the relevance and competitiveness of our products, the trust and support of our partners and the expertise of our teams. The UW acquisition added scale to both businesses, giving us two avenues to drive growth in the future. Our focus on proposition development will encourage flows over the long term and open new markets. We expect a growing proportion of our sales to be generated in our new markets over time.

Our acquisitions in recent years provide us with a robust platform for organic growth for the years to come and we look to benefit from the longer-term growth trends in our markets. The global economy faces severe headwinds, with a severe recession likely in 2020. Whilst we remain watchful, we are positive on the longer-term outlook.

Operational Synergies

A core pillar of our business is our integration strategy. The successful integration of our acquired businesses enables us to deliver deeper synergies and is viewed as one of our core competencies, essential to enhancing our financial and operating performance.

Utmost International has a proven Target Operating Model ("TOM") and robust strategic client servicing and investment administration platforms in place. The TOM is regularly reviewed to ensure it remains optimal and our migration methodology is continually refined. A strength of our model is that our strategic platforms are wholly supported in-house, entailing minimal reliance on third parties, and ensuring a degree of expense control.

Our integration framework maintains balance between short-term initiatives, such as identifying key individuals and control functions, with medium-term projects, including the creation of centres-of-excellence around the Group, alongside long-term projects, such as platform migrations and legal entity consolidations. Our disciplined approach means total expenses have remained stable in spite of the ongoing investment into our business resulting in increased project costs in 2019 – projects which will ultimately deliver a more streamlined business.

We continue to make excellent progress with our integration activity. The depth of our migration expertise was evidenced by the completion of the migration of the Athora Ireland international bond portfolio, whereby over 7,000 policies and £2.8bn (approximately 10%) of Utmost International's assets under administration were migrated from the seller's external platforms to our strategic platforms. Since 2017, our specialist teams have completed five migrations, removing eight client servicing systems and driving deeper synergies throughout our business. The continued amalgamation of our books of business is a catalyst for per-policy cost savings and operational efficiencies. Our migration plans for 2020/2021 entail the migration of further AUA to our strategic platforms which will result in most of our single premium business being supported by these platforms.

The merger of our three Irish life assurance companies completed in October 2019 with the business of Utmost Ireland DAC and Harcourt Life DAC merged into Utmost PanEurope DAC via a portfolio transfer scheme. These steps have resulted in more efficient governance and delivered capital benefits. The completion of the merger is a key milestone in the delivery of our strategic goal of the creation of synergies through the successful integration of our acquired businesses.

The consolidation of our existing businesses is an integral part of our business model. It is important that the groundwork for new developments is strong and as such, integration activity and the efficacy of the TOM is monitored by the Executive Committee and the management teams of each of the operating entities. Our experienced teams further refine our TOM and migration strategy with each acquisition to create efficiencies which improve outcomes for clients and other stakeholders.

Permanent Commitment to our Clients

Core to our values is a permanent commitment to deliver good results to our clients. Our mission remains to build a brighter future for our clients and better serve all stakeholders. Our partners direct new business to our solutions; trust is central to these relationships. In 2019, new business flows of £1.6bn were directed to our solutions by both existing and new partners. The strength of flows and high retention rates reflects both confidence in our proposition and the competitiveness of our solutions.

Our proposition is designed to serve clients who wish to preserve and pass on their wealth. Our products incorporate the robust legal and tax advantages of a life assurance policy around a flexible investment solution. Clients can optimise their investment portfolio with a choice of custodians and asset managers, and set their desired investment risk appetite, whilst retaining security and control over their assets.

In 2019, we refocused on proposition development, making some key hires to strengthen the team. A new savings product, FOCUS, launched in our International and Middle East markets, via our newly established subsidiary in the Dubai International Financial Centre which operates using a distribution licence. Additionally, a capital redemption version of our Professional Portfolio Bond was launched. Various milestones were met, providing additional functionality in our existing product range, such as enhancing our complex asset capability to give clients greater access to alternative asset classes. On the Corporate Solutions side we launched a new Global Risk Solution with which our multinational corporate clients can provide benefits to employees based around the world under a single policy. For further information on FOCUS and the Global Risk Solution, please refer to pages 22 and 23.

In the years ahead we will make a significant investment into our proposition to continue to meet the evolving needs of our clients and to deliver the best outcomes and good value. We look to develop new products and enter new markets as well as continuing to enhance features for our existing range.

Awards

We have a strong reputation for good client service. This is a key differentiating factor in the international life assurance market. A range of accolades from service ratings to product awards is testament to our commitment to excellence.

Utmost Limited (IOM)
Excellence in Client Service, Industry
Regional Winner – UK

Professional Paraplanner Awards 2019
Best Offshore Product Provider

Defaqto Gold Service rating for Investment Bond Service

840+

Employees
We are creating a diverse and vibrant environment where our employees can thrive.

Client service is the foundation of our ongoing relationships with our partners and clients. To provide a premium experience, we continually invest in our service delivery. Our servicing and marketing teams are tasked with providing clear, transparent, and timely information to address any queries around our policies and features. As a part of our ongoing innovation drive, we are enhancing our online capabilities, a core pillar of our long-term vision, and reinforcing the role of digital capabilities in the Group. This drive has been accelerated by the move to home working as a result of the Covid-19 pandemic. Certain processes which previously required a degree of manual intervention have been fully automated which creates ease of use for our partners and clients, while maintaining their security and privacy.

Our responsibility to our clients combines with a sense of responsibility in all our corporate actions to the environment, sustainability and diversity. Our Group is aware of the importance of these issues to our clients, partners, employees and the wider society in which we operate. As such, our business is embedding our sustainability goals across our business. These activities include improving our environmental footprint, integrating Environment, Social and Governance (ESG) criteria into our investment approach and delivering sustainable investment options to our clients. Our social impact is important to our employees and we continue to develop diversity throughout our organisation and look to make a positive difference in the communities in which we operate. This marries with our mission to provide good client outcomes through the delivery of excellent propositions to ensure prosperity. As well as being an overall positive for society, this also makes business sense in keeping with our long-term vision.

Talented Employees

Our employees are core to the success of the Group, both individually and collectively. It is an important priority of the management teams and of HR that our employees enjoy a diverse and vibrant work environment which ensures they are fulfilled and committed. An important focus in 2019 was embedding our culture and values across the acquired businesses. We want each employee to embrace our value of collaboration to make a positive difference, approaching their work with a motivated attitude. We want to create an environment where our people can achieve their aspirations and reach their full potential. It is important we are viewed as an attractive place to work and sustain an environment where we can continue to attract and retain the best talent. Our HR teams actively encourage internal mobility of our existing employees to offer career opportunities which enhance their skills and experience, as well as external hiring to enrich our skillset and provide fresh perspectives.

I am incredibly proud of what we have achieved together in 2019 as well as with how our employees have responded to the change in their working conditions sparked by the Covid-19 pandemic. The talent and commitment of our teams have made the difference.

Inspiring Brand

2019 marked the year that our entire business rebranded to "Utmost", presenting a common face to our stakeholders. The new brand has been positively received by partners and by employees, uniting us behind a single, strong name which represents our core values. Each of our acquired businesses has a long history and unique identity; the new brand enables us to preserve their heritage while providing a strong appeal for organic growth in the future.

Vigilance and Determination in 2020

The world is witnessing the ongoing Covid-19 pandemic which has sparked a sharp market correction and a period of heightened volatility. Our core markets across Europe and Asia are acutely affected. My priority is the health and safety of our employees, partners and clients, as well as ensuring that we maintain the service provided to our clients and partners. The Group has invoked its business continuity plans to minimise any impact on operational activity. The majority of employees are working from home and we continue to follow the advice from the World Health Organisation and national health agencies in our markets. We will be there to support our employees, partners and clients through this period of considerable uncertainty.

Whilst the turbulence continues, the full impact on people and economies is unknown but economic and monetary uncertainties are a significant part of the picture in 2020. As such we view the coming year with prudence. It is too soon to know the full impact on markets and new business flows, however, our business is well capitalised, our Solvency Coverage Ratios remained stable throughout the start of 2020 (to the point of signing this Annual Report and Accounts), and our balance sheet is strong. We can count on the financial strength and robust capitalisation of the business, alongside the dedication of our people to weather the storm. Given the long-term planning nature of our product set we remain confident in the long-term desirability of our offering. I continue to monitor the crisis and its impact on our business closely.

The market correction we have witnessed in 2020 comes off the back of a strong 2019 in financial markets. Asset performance was strong, despite overarching worries around geopolitics and growth concerns in part owing to the US-China trade war.

In the UK, the large majority secured by the Conservative Party in the UK election in December 2019 provides greater clarity on the UK domestic situation and clears the way for an orderly withdrawal of the UK from the European Union. It also provides a supportive policy backdrop for wealth management businesses. In Europe, we saw a number of European elections, with some leadership transitions that – despite fears of a populist influence – largely saw outcomes consistent with policy continuity.

Looking Ahead

We are pleased with the progress of the Group in 2019 and take pride in our results. Whilst we remain optimistic and move forward with prudence, numerous sources of uncertainty prevail in the short term and we must remain vigilant and focused on our strategic objectives.

The adaptability of our organisation will be more crucial than ever. Our clients' demands for expertise and customisation coupled with the growing diversification of our client base and broadening geographies, present both challenges and opportunities. We are strategically well positioned to benefit from the growth trends in our markets but must remain vigilant and continue to focus on premium service delivery and propositional excellence.

Life assurance is a long-term commitment and as such we remain driven by our long-term vision and have deeply held ambitions for the Group. We can count on the strength of our business, our strategic levers and our talented employees to reinforce our leadership position.

Paul Thompson
Group Chief Executive Officer

Utmost Wealth Solutions
Life assurance is a robust and proven solution to assist in financial planning in the HNW/UHNW space. UWS products are sold on an advised basis and fees are earned either via an initial and/or an ongoing charge basis. UWS provides unit-linked life assurance products and, in relevant markets, a capital redemption bond option, to assist our clients in preserving their wealth and safeguarding it for future generations. Clients are directed to UWS through our distribution partners, which include private banks, financial advisers and family offices. Life assurance products are long-term planning vehicles which require commitment from a long-term partner.

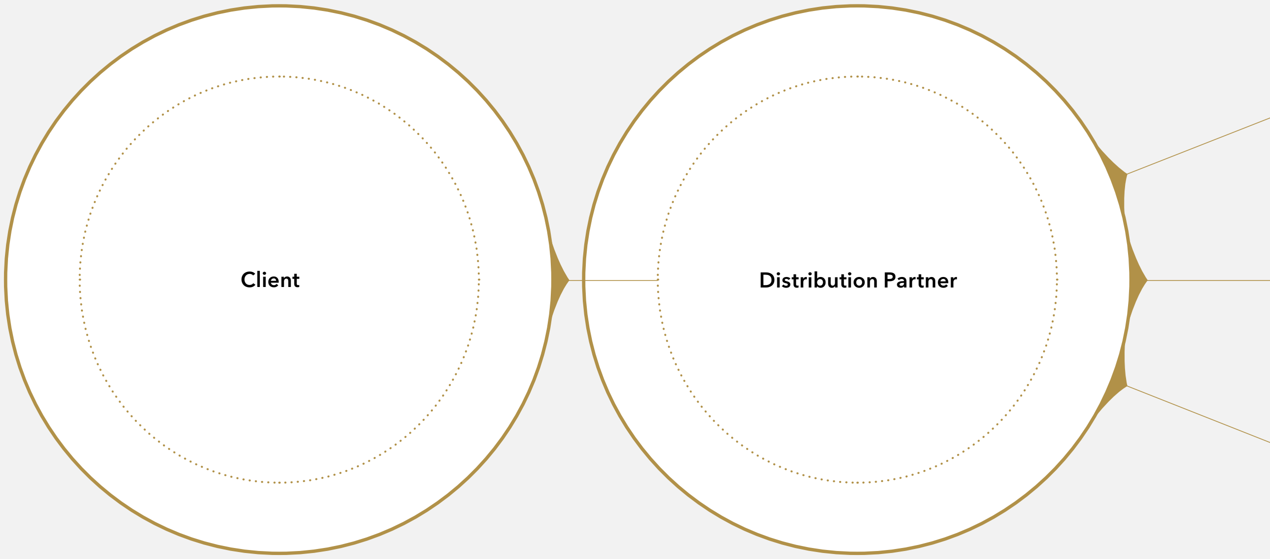
Our model provides clients with a range of flexible solutions. Through our distribution partners, our clients have access to a wide range of investment solutions. The underlying assets can be invested in line with our clients' risk/return appetites. The client can choose from a guided architecture range of funds, an open architecture range, or select the services of a discretionary fund manager. Internal and external custody options are available via our platform, offering our clients choice and flexibility.

A core pillar of our strategy is to deliver good client outcomes, encapsulating industry-leading client service. Our scale enables continual investment into our products and propositions. Our employees are incentivised to provide the highest level of client service and build close, long-term relationships with our distribution partners. This model is supportive of long-term client relationships and the sustainable growth of our business.

UWS provides international life assurance to affluent, high-net-worth and ultra-high-net-worth individuals in the UK, Europe and select global locations.

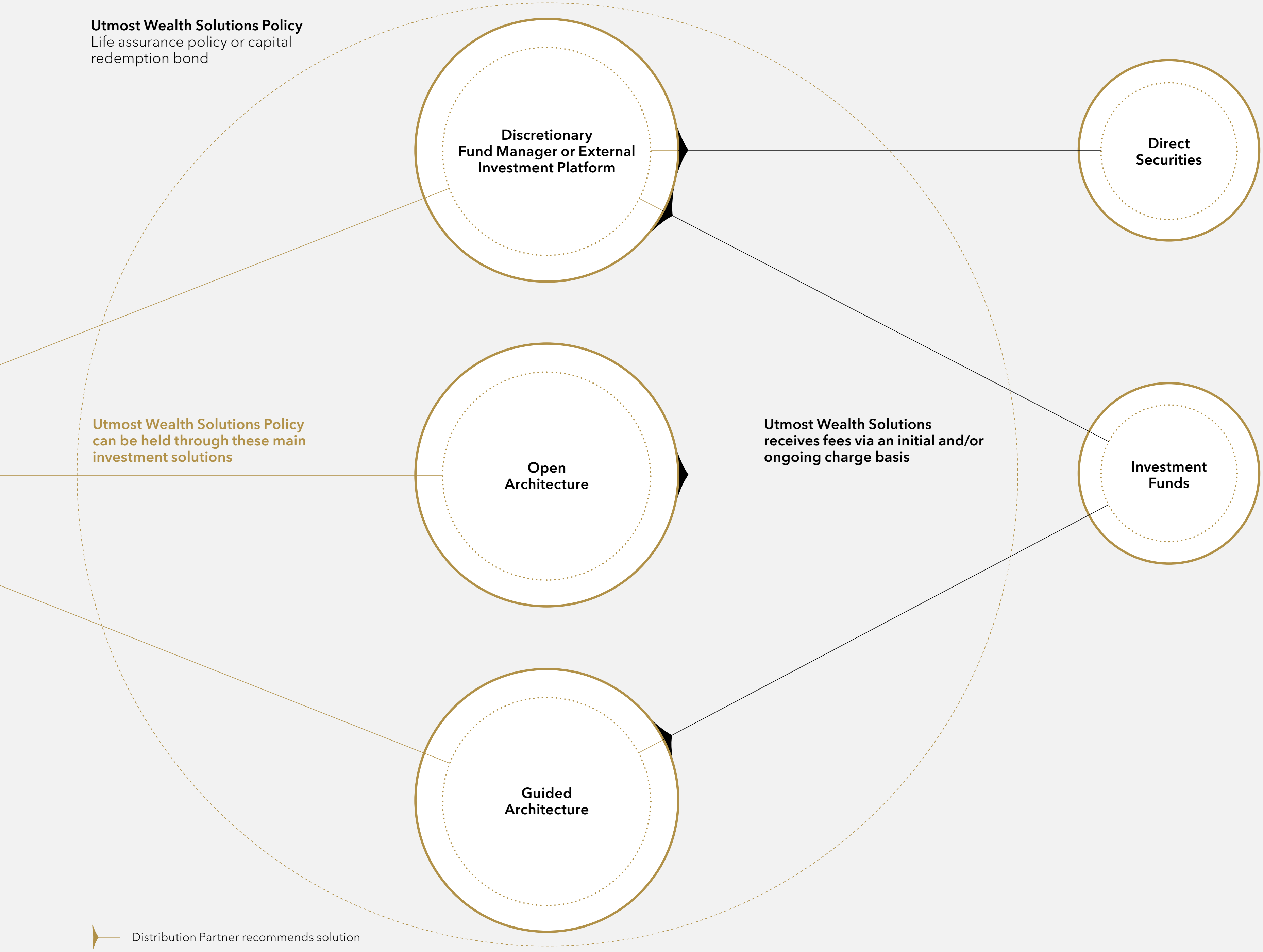
£147M

UWS Annual Premium Equivalent



Our clients are HNW individuals who are often globally mobile and looking for an efficient way to manage their wealth and legacies. UWS provides solutions to clients looking for a financial product with a generational focus, allowing them to preserve and pass on their wealth in a controlled manner. Our policies provide robust, long-term solutions which provide clients with flexibility and choice over their assets. The policies offer certainty and control over the proceeds, along with the financial protections provided with investing through a transparent, globally recognised and regulated solution.

Distribution Partners are engaged by clients to provide financial advice. Distribution of our products relies on wealth managers, private banks, family offices, and financial advisers. The distribution model is robust and is not reliant on a small number of key partners.



Distribution Partner recommends solution

Client money within UWS product is invested as required

Utmost Corporate Solutions

Utmost Corporate Solutions is the Employee Benefits division of Utmost International, providing Group Risk and Group Investment solutions. UCS operates two divisions from its two jurisdictions in Ireland and Guernsey:

- Life and Health
- Pension and Savings

UCS provides employee benefit solutions to its corporate clients which include group life, disability and critical illness cover. UCS offers a global employee benefit proposition for clients with staff situated around the world. UCS' offering is unique because it can cover multiple jurisdictions under a single product, offering ease of administration and cost efficiency.

Life and Health provides Group Risk products including life, disability and critical illness cover. These products provide a lump sum or regular income in the event of the death, disability or illness of an employee. Clients are typically multinational or domestic corporates with employees either in single or multiple jurisdictions. The majority of the risk in this business is ceded to reinsurers. UCS earns revenue from reinsurance commission and underwriting returns. Corporate client business is distributed via Generali Employee Benefits (GEB) and via specialist brokers. GEB is the largest network of group risk providers in the world with over 100 network partners in 100 countries and 1,500 clients. The core function of GEB is to direct employee benefits business from corporates in GEB's network to its local insurance partners, such as UCS.

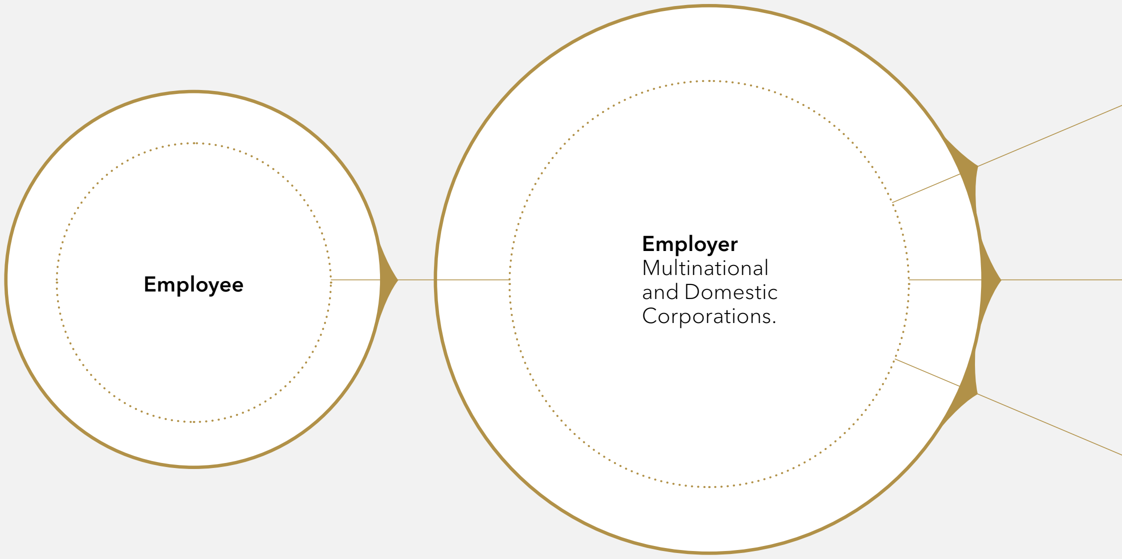
Pension and Savings provides Group Pensions and Group or Individual Savings. The products offer both single and regular premium options and provide access to a guided panel of investment funds. UCS earns revenue through a combination of policy fees and Annual Management Charges.

UCS clients are grouped into three geographies:

- **Ireland** – Multinational (normally subsidiaries) and domestic corporates located in Ireland with Irish based employees
- **PanEuropean** – Multinationals (normally subsidiaries) located in an EU jurisdiction with employees in multiple EU jurisdictions
- **Global** – expats working around the world away from their home market

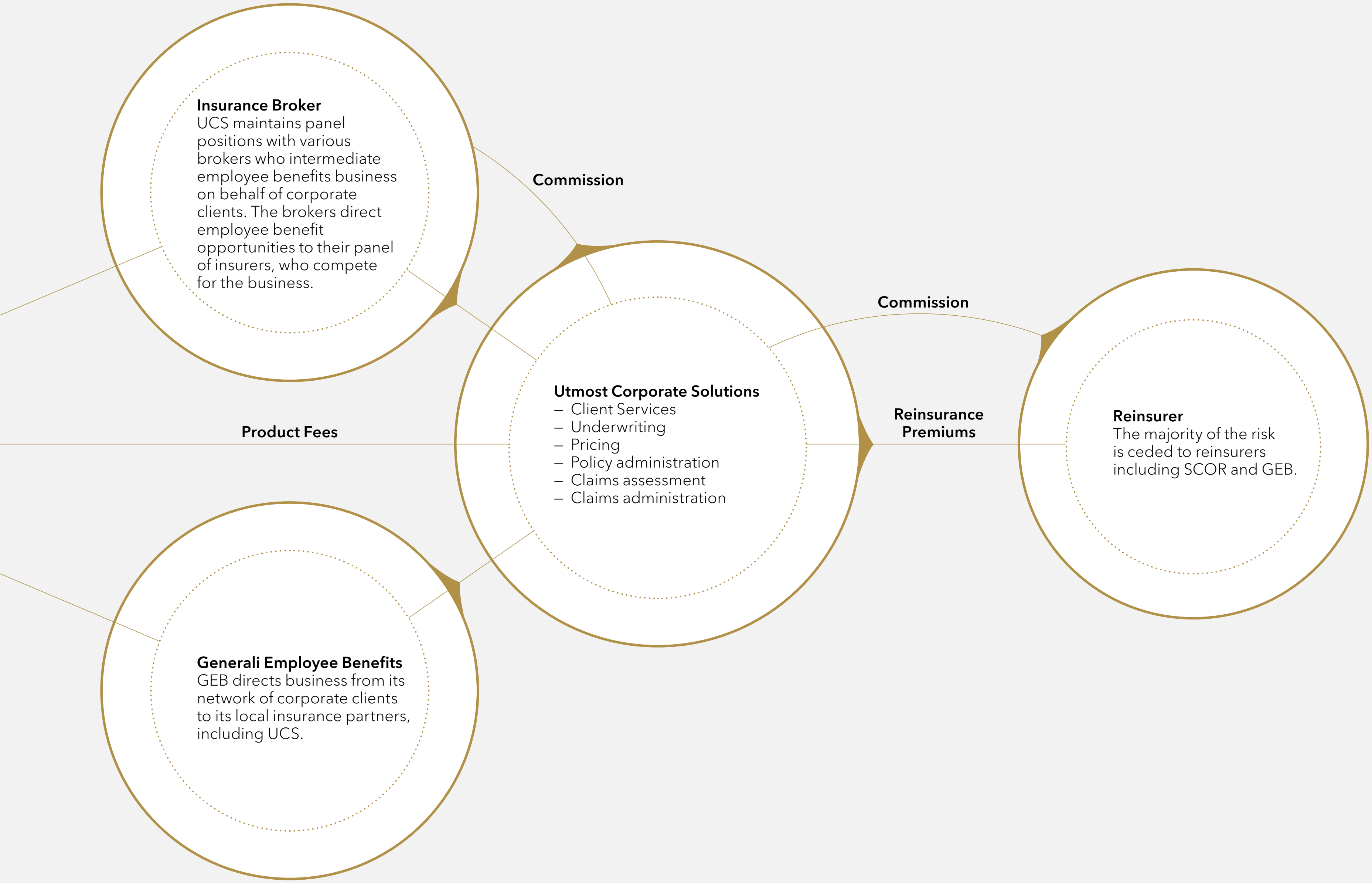
UCS provides global employee benefit solutions to corporate clients including life, disability and critical illness cover.

Utmost Corporate Solutions Business Model



£26M

UCS Annual Premium Equivalent



Insurance Broker
UCS maintains panel positions with various brokers who intermediate employee benefits business on behalf of corporate clients. The brokers direct employee benefit opportunities to their panel of insurers, who compete for the business.
Commission
Utmost Corporate Solutions
– Client Services
– Underwriting
– Pricing
– Policy administration
– Claims assessment
– Claims administration
Commission
Reinsurance Premiums
Reinsurer
The majority of the risk is ceded to reinsurers including SCOR and GEB.
Product Fees
Generali Employee Benefits
GEB directs business from its network of corporate clients to its local insurance partners, including UCS.

Utmost International's long-term vision is to be the leader in our chosen markets

Whilst a considerable degree of uncertainty prevails around the world, certain constants remain. Our propositions provide robust wealth solutions which offer certainty and control around wealth and succession planning. We will continue to deploy our expertise to safeguard our clients' assets.

We reaffirm our ambition to be the leading provider of insurance solutions to wealthy individuals in countries where insurance offers a planning advantage.

Global economic outlook

73%

Most wealth advisors made changes to their clients' investment strategies in 2019 to protect their wealth, their key concern being a global economic slowdown.

Source: Knight Frank

Overview

- The ongoing Covid-19 pandemic has had an unprecedented impact on people and economies
- A global recession is likely ahead with unprecedented falls in GDP
- Life assurance can offer certainty and control around issues relating to wealth preservation through these tumultuous times

Governments across the world are implementing measures to soften the economic impact of the Covid-19 pandemic. A global reduction in interest rates following central banks' efforts to support the economy further increases the pressure on investment yields. There is a growing consensus that there will be a global recession in 2020.

The issues of 2019 – the US-China trade conflict, the UK and European elections leading to leadership transitions, slowing economic growth and the debate around our position in the economic cycle – seem a long time ago.

Through these uncertain times, Utmost International's policies benefit from the robust local policyholder protection regimes in Ireland, Guernsey and the Isle of Man. Assets are ring-fenced and held by custodian banks. Our clients have the ability to modify their investment solutions, and choice of asset manager, to best suit their risk profile.

Our business model is designed to support clients through the long term and assist in passing wealth through generations.

Changing competitive landscape

£713BN

UK Platform Assets at 31 December 2019. The value of assets managed on platforms is expected to grow at 9% per annum from 2019 to 2024.

Source: Fundscape

Overview

The changes to the value chain in the insurance, pensions and savings market have continued unabated. The competitive landscape continues to evolve. The increasing costs of regulation, competition from platform providers, and the requirement for ongoing investment to provide premium client servicing and operational excellence all create arguments for being a part of a focused group with the scale to lead the market.

There has been a proliferation of platforms and robo-advisers, however, Utmost International also sees a consistent and strong demand for personalised advice and tailored solutions. This demand is driven by factors including increasingly complex tax rules and multiple solutions available for preserving wealth and inheritance planning. Many clients seek advice to create a tailored solution, rather than utilise purely online transactional channels.

Digital technology is increasingly deployed, providing clients and partners with online capabilities to improve their user experience and enable us to introduce operational efficiencies. As client expectations rise, a focus on innovation is required.

Utmost International operates an agile and scalable business suited to the fast-paced wealth planning environment. Our scale and expertise affords us the ability to withstand the rising costs of competing in this market, whilst continuing to deliver operational and servicing excellence.

Succession

38%

of all global HNW clients are aged over 60.

Source: GlobalData

Overview

- Effective and reliable solutions are needed when planning succession
- Intergenerational wealth transfers are expected to increase
- Around 20% of HNW wealth is expected to change hands over the next decade

The global demographic trend is towards people living longer lives, which creates a requirement for increased planning around retirement and succession. Over the coming decade, a high proportion of HNW wealth is expected to change hands.

Our solutions incorporate the robust legal and tax advantages of a life assurance policy. They enable our clients to maintain security over the wealth they have accumulated and control over the proceeds passing to future generations.

The scale and resources of Utmost International afford us greater reach in supporting our clients today, and for the generations to come.

Wealth trends

44%

the share of global wealth controlled by millionaires, which has increased from a 34% share in 2000.

Source: Credit Suisse

Overview

- In these unprecedented times, we continue to support our clients with their wealth planning needs
- Global wealth has grown dramatically over the past 20 years and effective planning solutions are required
- Life assurance is a robust and established solution for wealth preservation

Our clients are motivated to safeguard the wealth they have accumulated. Effective solutions which assist with wealth and succession planning can help with meeting these requirements. A life assurance policy can offer a reliable long-term solution whilst providing certainty and control. The products can provide diversity and certainty within a broader overall planning strategy.

While the Covid-19 pandemic will dampen relocation plans in the short to medium term, global mobility is on the rise. Wealth is on the move globally now more than ever. Our clients have the skills, knowledge and capital which can increase an economy's overall wealth. Attracting and keeping them are critical to nations desiring this outcome. Our solutions can facilitate clients' financial planning when moving across borders.

A foundation of Utmost International's business model is the expertise of our teams in their local markets. Our teams are equipped to provide bespoke solutions which assist clients and their advisers to navigate complex situations. We are here to help our clients manage their wealth through challenging times.


DELIVERING
EXCEPTIONAL
WEALTH
utmost

Our strategy

Utmost International

Utmost International has been assembled through acquisitions, often of insurers that – while financially robust – were previously owned by major insurance groups which did not regard them as "core". By bringing these companies together under a common strategy and rationalising them to achieve significant cost synergies, Utmost International has created a financially and operationally robust insurance group which is strongly positioned to win new business.

Further acquisitions may be undertaken but will be subject to strict criteria. Utmost International has both qualitative and quantitative targets with regards to M&A opportunities. Our focus is on M&A deals within the international unit-linked sector which fit our M&A framework. Our approach is prudent and conservative and full due diligence is undertaken ahead of every new acquisition. Utmost International has demonstrable expertise in combining businesses and operations to support ongoing growth prospects and generate efficiencies. The Utmost International management team has a long and successful track record of acquisitions in the insurance sector.

Utmost International is comprised of the Utmost Wealth Solutions and Utmost Corporate Solutions businesses. Utmost Wealth Solutions provides predominantly unit-linked solutions to HNW and UHNW individuals. Utmost Corporate Solutions provides employee benefit solutions to corporate clients.

Utmost Wealth Solutions

With a growing population of wealthy individuals looking to preserve and manage their finances, Utmost Wealth Solutions is positioned to benefit from the intrinsic growth drivers in its market. Life assurance is a robust and proven solution to assist in financial planning in the HNW/UHNW markets. Our solutions are adaptable and flexible, offering clients choice and control over their assets. They can also be used alongside other wealth management solutions.

The pace of change in legal, fiscal and regulatory frameworks is rapid and the rising costs of compliance and administration create a strong case for being part of a focused group with the scale to lead the market. Utmost International operates an agile and scalable business suited to the fast-paced wealth planning environment. Our scale and expertise afford us the ability to withstand the rising costs of doing business, whilst continuing to deliver operational and servicing excellence.

Utmost Corporate Solutions

The employee benefit market is projected to grow as employers increasingly view benefits as a way to deliver on their strategic vision to create healthier, happier and more engaged employees. Corporate organisations can use benefit structures to support their changing business objectives and cultures. Additionally, employees increasingly expect higher levels of engagement with their employer and flexibility in their working lives. With its distinct market position, Utmost Corporate Solutions has an opportunity to increase its share of a growing market.

Our Strategy

Our strategy and capability will enable us to:

- Become the leading provider of international life assurance;
- Create synergies in our business to support our ongoing growth prospects and generate efficiencies;
- Deliver decisions which enhance our financial and operational performance; and
- Provide better outcomes to all stakeholders, as part of an active and growing business.

To achieve this, Utmost International is focused on the delivery of its four strategic pillars:

1. Growth in Wealth Solutions
2. Growth in Corporate Solutions
3. Creation of Synergies
4. Good Client Outcomes

Utmost International is focused on the delivery of its strategic pillars: good client outcomes, growth in our businesses, and the creation of synergies.

1. Growth in Wealth Solutions

We prioritise organic growth. The growth strategy focuses on enhancing the existing product range through adding new features and the introduction of new products. UWS will look to enhance client choice and flexibility.

We work closely with our distribution partners on technical support and developing innovative new products which meet their clients' needs.

KPIs
The following key performance indicators provide a measurement for growth in the wealth solutions business.

APE, AUA, VNB, OP, SII EV

Launch of FOCUS
During 2019, we launched FOCUS into our international markets: a new savings product from Utmost Wealth Solutions. FOCUS is our next generation international regular savings solution, designed to build long-term trust and loyalty between Utmost Wealth Solutions, its advisers and their customers. It delivers value for money, a simple and transparent fee structure and clear, plain speaking product documentation to facilitate client understanding. The client selects a commitment period to make regular savings and is rewarded on achieving it.

FOCUS allows the client to choose between two types of plan. The unit-linked whole of life assurance plan is a regular premium solution providing a death benefit at the end of the plan life. The unit-linked capital redemption plan is a regular contribution solution with a 99-year term, providing a maturity benefit at the end of the plan life.

FOCUS offers options to suit clients' changing needs, with seven currency options, a range of commitment periods and a choice of premium levels and payment methods. It is an international investment plan that can serve our clients' needs throughout their lifetimes. FOCUS provides direct access to a wide range of fund and fund houses, providing control and flexibility, and client loyalty is rewarded. It also offers the ability to extend to an open architecture investment structure.

> The launch of products such as FOCUS and the Global Risk Solution show the Group's continuing commitment to our organic growth priority.

2. Growth in Corporate Solutions

UCS' focus is organic growth. Our target is to extend our European footprint and expand globally. UCS is targeting new channels and the development of strategic partnerships.

KPIs

The following key performance indicators provide a measurement for growth in the corporate solutions business.

APE, VNB, OP

Launch of Global Risk Solution

During 2019, we launched the Global Risk Solution, a new proposition from Utmost Corporate Solutions. The Global Risk Solution is an extension of our existing Pan-European Risk Solution and provides clients that have employees in multiple countries and continents with one cost-effective global group risk solution. This allows our Corporate Solutions clients to reduce the burden of employee benefits administration and to benefit from a competitively priced single solution.

Prior to the launch of the Global Risk Solution, employers were likely to have individual group risk plans in place for each of their country locations. To illustrate this, for a multinational company operating in five locations, they were likely to have five plans to cover each jurisdiction. This could mean five brokers, life insurers, claims departments, and five quotations and terms and conditions for clients to navigate. The Global Risk Solution enables clients to consolidate their previously complex employee benefit plans into a single scheme. This yields significant savings in terms of both time and cost.

Global Risk Solution provides Group Life and Disability employee benefit solutions, all of which can be tailored to meet our clients' specific business needs and budget, with the same premium rates and terms and conditions applying for all employees worldwide.

Key performance indicators:

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

See more about our KPIs on page 26.

3. Creation of Synergies

Utmost International has a proven Target Operating Model and strategic platforms in place. Once businesses are acquired, or portfolio transfers are undertaken, projects are set up to transition these businesses towards our Target Operating Model and strategic platforms.

Our strategic platforms for client servicing and investment administration require no third-party involvement in their ongoing development and are wholly supported in-house, enabling a degree of expense control. Our in-house development and support capability ensures minimal reliance on third parties.

KPIs

The following key performance indicators provide an indication of the progress made towards the creation of synergies.

SII EV, OP

2019 Synergies

Excellent progress has been made during 2019 to implement the TOM across the Group, with activities mainly focused on the consolidation of the Irish business through migration and merger activity. Of significance during 2019 was the successful migration of the ex-Athora International bond business on to the Utmost strategic platforms, AIA and Apache.

Utmost International acquired the Athora International bond business on 31 December 2018. As part of the acquisition, 21 employees were transferred from Athora to Utmost PanEurope and a transitional services agreement was put in place relating to the use of Athora's existing platform. As part of the migration, all operations activity was transferred from Athora's third-party provider to AIA and Apache. Customers were not adversely affected by the migration activity.

Completion of the migration allowed the Group to substantially reduce ongoing servicing costs and secure expense savings. In addition, the enhanced functionality of AIA and Apache have been welcomed by the transferred employees. The increased level of AIA and Apache expertise will be valuable to the Group both in day to day activities and future migration projects. For example, as part of the project, the Group's migration toolkit was enhanced to ensure that valuable lessons learned throughout the process are taken in to account for future projects. This will further streamline future migrations onto the AIA and Apache systems, including the future repatriation of the ex-Aviva book of business currently administered by Capita. Further details of the Athora migration are contained in the CEO Review on page 11.

The implementation of the TOM during 2019 has not been limited to migration activity. As part of the ongoing development of Utmost Group Ireland, the life assurance businesses of Harcourt Life Ireland and Utmost Ireland DAC were consolidated into Utmost PanEurope DAC. The transfer simplifies the structure of the Irish Group, together with improving organisational efficiency.

These projects are creating a more efficient and robust business and paving the way for the future development of the Group.

> Our scale and expertise afford us the ability to deliver operational and servicing excellence.

Key performance indicators:

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

See more about our KPIs on page 26.

4. Good Client Outcomes

Our business was founded on the belief that all stakeholders are better served as part of an active and growing franchise. Good client outcomes remain front and centre of our strategy. Our overall purpose is to build a brighter future for our clients and better serve all stakeholders. Utmost International focuses on helping our clients preserve their wealth and safeguard it for future generations.

Client confidence in our business is recognised through our strong APE figures and our high retention rates. Our organic growth has been resilient in the face of recent corporate activity and challenging market conditions.

KPIs

The success of our strategy to deliver good client outcomes can be demonstrated by our APE and AUA results.

APE, AUA

Adviser Support

We are firmly committed to supporting our clients, evidenced through our wide product offering and award-winning service. We partner closely with our advisers and in the UK, paraplanners, enabling them to effectively support their clients. During 2019, we organised regular Utmost Breakfast Briefings in our London head office for both Wealth Solutions and Corporate Solutions partners. Our central location provides an ideal meeting space for business updates, technical discussions and product launches.

Our partners are further supported through our series of Utmost Technical Academies. Throughout 2019 and to date, Utmost Technical Academies have been held in over 35 locations around the UK for financial advisers and paraplanners. These provide a platform for Utmost Wealth Solutions to provide input on technical subject matters. The events are an opportunity to educate and inform our partners around ongoing changes in the international bond market, in addition to giving the opportunity to gain an insight into the needs of our partners and clients.

At a time when working norms were put to the test, the Utmost Wealth Solutions webinar series ran during the second quarter of 2020 and provided partners with an expert overview of the Covid-19 pandemic and its global impact. Presented by well-regarded industry experts, the six-week series took an in-depth review of global markets, including the potential impact on Brexit and the 2020 US Election. The series attracted global audiences of up to 250 attendees. On completion of the six-week series, we will continue to host monthly webinars throughout 2020 on various topics impacting the economic and financial outlook.

The development of the Group in 2019 has resulted in strong performance in respect of each of our KPIs.

Our strategic goals

1. Growth in Wealth Solutions

We prioritise organic growth. We look to enhance our product range, add new features and expand our presence in additional locations.

2. Growth in Corporate Solutions

Our focus is to develop further strategic partnerships and extend our proposition to additional territories.

3. Creation of Synergies

The successful integration of our acquired businesses enhances our financial and operational performance. Our Target Operating Model ("TOM") delivers efficiencies, reduces expenses and embeds our risk management processes.

4. Good Client Outcomes

Delivering good client outcomes is front and centre of our strategy. Our mission is to build a brighter future for our clients through preserving their wealth.

AUA

Assets under Administration

Assets under Administration are included within the Consolidated Statement of Financial Position on page 57, with a reconciliation provided on page 102 within the APMs section of this Annual Report and Accounts.

Measure

Utmost International's AUA was £29.4bn at YE19, increasing by 5% from the YE18 AUA of £28.0bn (£24.3bn excluding UW), reflecting modest client inflows and strong asset performance.

£29.4BN

Link to Strategic Goals

APE

Annual Premium Equivalent

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

Measure

APE was £173m in 2019 compared to APE of £180m in 2018 (£152m excluding UW). Through a period of frequent acquisition activity, which included the completion of the rebranding of the Utmost International business, sales were maintained by the activity of our sales and marketing teams, who worked closely with our distribution partners to familiarise them with the new 'Utmost' brand and proposition.

£173M

Link to Strategic Goals

VNB

Value of New Business

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.

Measure

2019 VNB was £28m, an increase of 40% compared to 2018 when VNB was £20m. The solutions provided by UWS and UCS tailor to the bespoke and often complex requirements of our client base. As such, our business is able to maintain its margins.

£28M

Link to Strategic Goals

OP

Operating Profit

This measures the profit emerging from the key operations of the business.

A measure of IFRS earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Operating profit excludes any non-core and one-off items.

Measure

Utmost International's operating profit for 2019 is £73m on a pro-forma basis, compared to £75m in 2018. In 2019 approximately 30% of the Group operating profit was contributed from each of Utmost Isle of Man and Utmost Ireland, and approximately 40% from UW. We expect each business to continue to contribute to the Group's operating profit, generating cash and capital to be deployed by Utmost International.

£73M

Link to Strategic Goals

SII EV

Solvency II Economic Value

The Group view of the aggregate value of the business. Calculated by adding the Solvency II economic value of its insurance companies and the IFRS net asset value of its non-insurance companies, adjusted to reflect an internal view of economic capital.

Please see a more detailed description of the SII EV methodology in the Chief Financial Officer's Review.

Measure

The Utmost International SII EV increased from £917m on a pro-forma basis at 31 December 2018 to £988m at 31 December 2019. The increase is driven by acquisition activity, profit emergence on the in-force book and the writing of profitable new business.

£988M

Link to Strategic Goals

Ian Maidens
Group Chief Financial Officer

In 2019, Utmost International built on the strong foundations laid in prior years. The Group has developed its business and geographic footprint substantially, underpinned by robust financial strength. We have again made significant strides towards achieving our long-term vision.

Utmost International delivered strong results for 2019, in a year which was dominated by growing geopolitical uncertainty and concerns around the sustainability of growth, despite strong returns in all asset classes.

In this CFO Review, unless otherwise indicated, results are presented on a pro-forma basis to include UW and Utmost PanEurope DAC ("UPE") for the full year in both 2019 and 2018, in spite of being acquired on 28 February 2019 and 19 June 2018 respectively. In addition, SII EV as at 31 December 2018 has been adjusted (on a pro-forma basis) to include the Athora Ireland capital injection of €50m, which was actually received by the Group in February 2019.

The financial performance of the Group is assessed using a variety of financial measures including our five KPIs (see page 26 of the Strategic Report), each of which is discussed in detail below.

Assets Under Administration

Utmost International's AUA was £29.4bn at YE19, increasing by 5% from the YE18 AUA of £28.0bn (£24.3bn excluding UW), reflecting modest client inflows and strong asset performance. The majority of the assets are backing unit-linked policies within our Utmost Wealth Solutions ("UWS") business, with a small proportion of assets (approximately 2%) backing pension and savings products within the Utmost Corporate Solutions ("UCS") business.

The majority of the AUA is held in respect of UK based clients (56%) and Italian clients (25%). The remainder of the 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 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 platform offers our 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). UPM was acquired as a part of the UW acquisition and strengthens our in-house investment expertise.

New Business Annual Premium Equivalent

APE was £173m in 2019 compared to APE of £180m in 2018 (£152m excluding UW). Through a period of frequent acquisition activity, which included the completion of the rebranding of the Utmost International business, sales were maintained by the activity of our sales and marketing teams, who worked closely with our distribution partners to familiarise them with the new 'Utmost' brand and proposition. Our relationships with our distribution partners remain strong throughout this period.

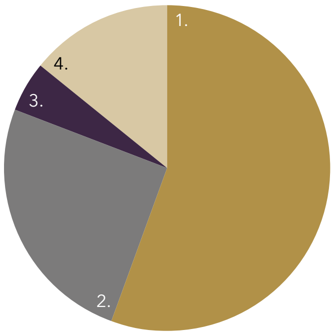
UWS APE was £147m in 2019, compared to £163m in 2018. Sales in the UK were strong in spite of investor uncertainty over Brexit in the UK and the macro environment more generally.

The acquisition of UPE, our Continental European business in July 2018, was followed by an educational campaign by our sales teams with distribution partners in Italy and Continental Europe to introduce Utmost International. The change in ownership led to a slowdown in sales in these regions, however, we expect this to be a short-term effect, with advisers now familiar with the revised proposition. In addition, we witnessed an adviser preference for guaranteed products compared to unit-linked products in these markets in 2019. Utmost International has added new product features such as enhanced death benefits and complex asset capabilities, to enhance the attractiveness of our proposition to distribution partners, actions which will be supportive of APE going forward.

In our international markets, sales were slightly muted as a result of the change in ownership of UW, our international business, in February 2019. Following the completion of the UW acquisition, we have commenced the reopening of our international markets. Our DIFC office, which operates via a distribution licence, opened in April 2019, and this is viewed as the first step in building a strong presence in the region. Our focus on proposition development in our international markets should result in a growing proportion of our APE coming from these markets in the future.

UCS APE was £26m in 2019 compared to £17m in 2018 (£11m excluding UW). The business launched several strategic partnerships in 2019 which contributed to the growth in APE. The continued support of Generali Employee Benefits ("GEB") and employee benefit brokers also contributed to the growth in APE. Retention rates within UCS were in excess of 90%, above market levels of 70-80%, which helps to demonstrate our commitment to market leading service and efficient claims administration in this business.

Figure 1: AUA split by region (in £m)



1. UK	55.8%	£16,420m
2. Italy	25.3%	£7,447m
3. Rest of Europe	5.0%	£1,458m
4. Rest of World	13.9%	£4,093m

Figure 2: Key Performance Indicators

	2018	2019		
	Pro-forma total £m	Actual £m	Adjustment to full year on UW business £m	Pro-forma total £m
AUA	28,000	29,418	–	29,418
APE	180	173	–	173
VNB	20	28	–	28
Operating Profit	75	76	(3)	73
SII EV	917	988	–	988

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 a 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 2019, VNB was £28m, an increase of 40% compared to 2018 when VNB was £20m. The solutions provided by UWS and UCS tailor to the bespoke and often complex requirements of our client base. As such, our business is able to maintain its margins in spite of the proliferation of purely online propositions. An increasingly complex pensions, savings and taxation landscape means our clients demand tailored solutions and advice. As such, while technology-driven solutions offer opportunities to ease client interactions and deliver operational and administrative efficiency, a purely technology-driven solution cannot meet all our clients' financial needs.

Solvency II Economic Value

SII EV is Utmost International'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 Utmost International SII EV increased from £917m at 31 December 2018 to £988m at 31 December 2019. The SII EV is the net of debt position. The increase is driven by acquisition activity, profit emergence on the in-force book and the writing of profitable new business.

This has enabled Utmost International to pay down debt whilst also increasing SII EV. On a gross of debt basis, SII EV has increased from £1,158m at 31 December 2018 to £1,192m at 31 December 2019.

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, contributing to an increase in SII EV.

Operating Profit

Operating profit, as an alternative performance measure, is shown on a pro-forma basis for both 2019 and 2018. Utmost International's operating profit for 2019 is £73m, compared to £75m in 2018. The 2019 figure includes £6m of expenses in respect of group holding companies (2018: £7m). In 2019 approximately 30% of the Group operating profit was contributed from each of Utmost Isle of Man and Utmost Ireland, and approximately 40% from UW. We expect each business to continue to contribute to the Group's operating profit, generating cash and capital to be deployed by Utmost International in accordance with the strategy outlined in the Strategic Report.

Expenses

On an actual basis, as included in the consolidated financial statements, administrative expenses increased from £71m in 2018 to £104m in 2019, with a breakdown in Figure 4.

Figure 4:

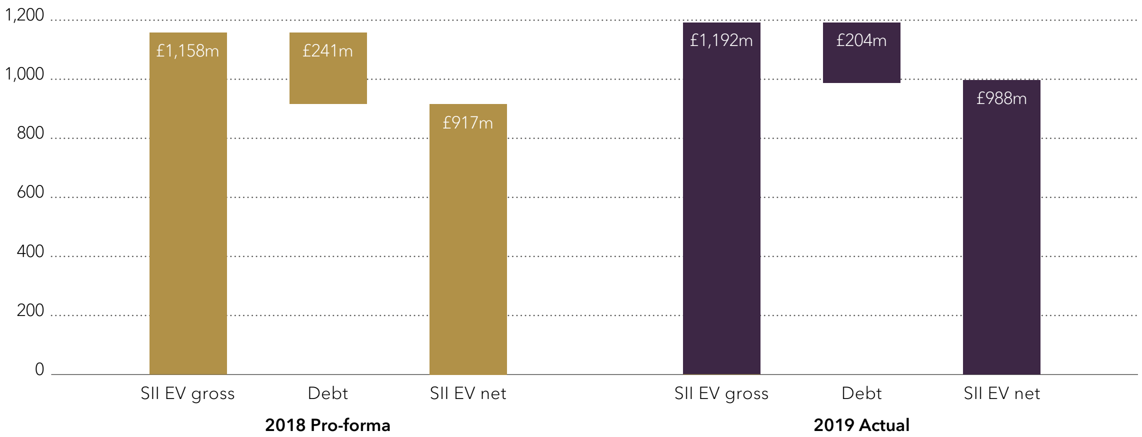
	2018 £m	2019 £m
Operating expenses	40.2	97.2
M&A activity-related expenses	21.4	6.3
Write-off of intangible assets	9.7	–
Total	71.3	103.5

The increase in expenses on an actual basis primarily reflects the high level of acquisition activity over 2018 and 2019. Operating expenses are £57m higher year-on-year. On an actual basis, the 2019 results include 10 months of operating expenses for UW from the date of its acquisition in February 2019 and a full year's expenses for the Irish business, following the Group reorganisation in 13 June 2018, which transferred the Irish business into the Group. Adjusting for these factors, pro-forma operating expenses have increased from £86m in 2018 to £99m in 2019, reflecting the additional activity across the Group and cost inflation. 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.

The M&A activity-related expenses include legal and other professional fees, stamp duty, fees paid by UPE and UW in relation to the reassurance of certain lines of their insurance business and other M&A-related project costs.

The £9.7m write-off of intangible assets in 2018 reflected the movement of UPE onto Utmost International's accounting policies under which internal IT development costs are not capitalised. No such adjustment was required on completion of UW in February 2019 following a pre-acquisition review of intangible assets by the business in 2018.

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



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, is stable. This analysis excludes the impacts of new business and does not include approximately £200m of existing surplus capital in the operating businesses at the 2019 year-end. Total capital emergence over the projected life of the in-force business including this £200m is estimated as £1,540m which is 30% higher than the gross SII EV of £1,192m at 31 December 2019. The increased value reflects a simple cash flow, rather than discounted approach, and the inclusion of real-world investment returns.

Figure 6 shows the capital impact of writing new business. The business invested £12m of capital to support the writing of approximately £1.3bn of new business liabilities in 2019. At approximately 1% of the new business liabilities this demonstrates Utmost International's capital light approach to product design. The invested capital emerges over the lifetime of the new business along with an additional estimated return of £32m, further enhancing the Group's anticipated capital generation. This additional return of £32m compares to the VNB of new business written in 2019 of £28m (the difference reflecting the lack of discounting and the inclusion of real-world investment returns).

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

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

Acquisition Activity

Utmost International completed its acquisition of UW and Generali Link Limited (an outsourced service provider to UPE and UW) on 28 February 2019. Generali Link Limited was renamed Utmost Link Limited* and subsequently dissolved via merger with Utmost Services Ireland Limited ("USIL"), our Irish service provider. This resulted in a single service company for Utmost Ireland and Utmost Worldwide, further simplifying our approach to servicing and administration across the Utmost International business.

The total fair value of assets and liabilities from the acquisitions of £531m exceeds the consideration paid of £347m, resulting in a "Gain arising from bargain purchases" of £186m in the Statement of Comprehensive Income (offset by a £2m loss in respect of Utmost Link Limited, also recognised in the Statement of Comprehensive Income).

As a result of the acquisitions during 2019, the IFRS equity of Utmost International has increased from £419m at 31 December 2018 to £662m at 31 December 2019. These figures are net of debt of £204m at 31 December 2019 (31 December 2018: £127m).

Whilst SII EV is the Group's preferred measure of economic value, IFRS net assets is a further measure of the Group's financial strength. The increase in 2019 reflects gains recognised on acquisition and the underlying profitability of the businesses within Utmost International, detailed in the 'Operating Profit' section of this Review.

Full details of the acquisition activity undertaken in 2019 are set out in note 4 of the consolidated financial statements.

* For further detail relating to Utmost Link Limited, see the Directors' Report on page 50.

Merger of the three Irish life companies

During 2019, the project to merge the three Irish life companies into a single life company completed. The business of Utmost Ireland DAC and Harcourt Life Ireland ("HLI") DAC transferred to UPE via a portfolio transfer scheme. The transfer of assets and liabilities became effective on 31 October 2019. Following completion of the portfolio transfer, UI and HLI were de-authorised by the Central Bank of Ireland ("CBoI") and underwent re-registration from designated activity companies to companies limited by shares, effective 17 April 2020. On 30 April 2020, a special resolution was passed to give effect to the merger by acquisition of UI and HLI into Harcourt Life Corporation ("HLC") and these entities were dissolved by merger on the same date.

Utmost International now operates a single life company in each jurisdiction. The merger of the Irish life companies results in a reduction in controlled functions with a more straightforward interaction with the regulator as well as cost and capital synergies. The completion of the merger is in line with Utmost International's Target Operating Model, which is to operate a single life company in each operating jurisdiction. This enables the Group to maximise capital efficiencies, simplify interactions with regulators and deliver operational efficiencies through lower maintenance and governance costs.

Figure 5: In-force emergence of surplus capital

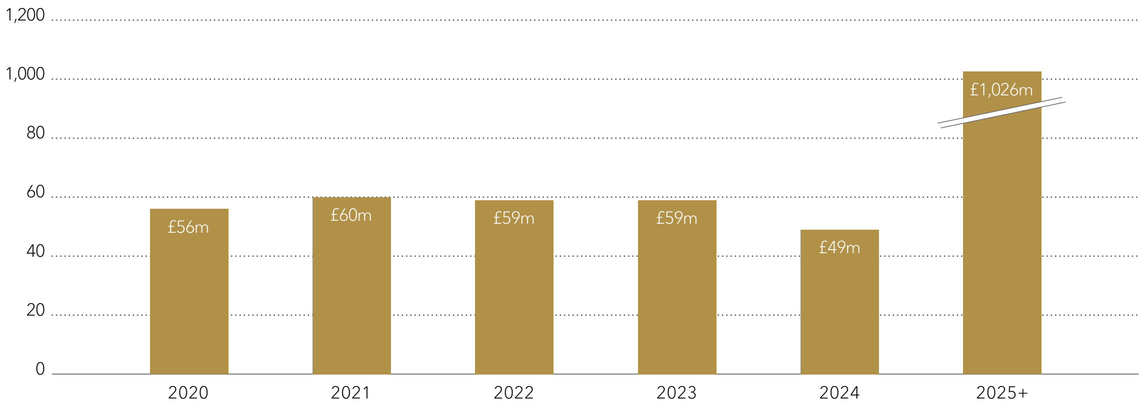
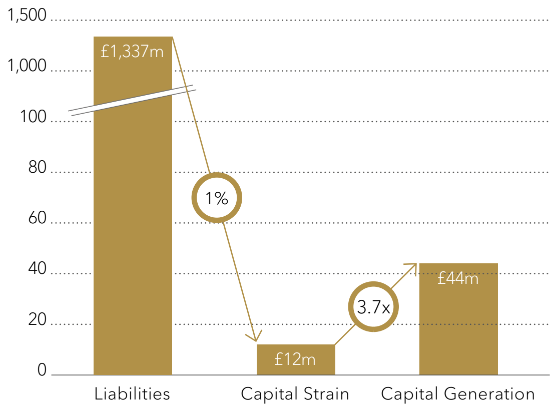


Figure 6: Capital Impact of Writing New Business



Sensitivity analysis

Utmost International has an extremely resilient solvency position due to the active management of key risks. A good example of this is the currency review undertaken in 2019. Whilst the business still maintains a degree of currency risk in terms of economic value, solvency impacts are well hedged.

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

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

Utmost International also has exposure to lapse risk as most policyholders can switch their funds to another provider. Higher lapses reduce the own funds but increases the coverage ratio as capital held against the switched funds is released. Similarly, lower lapses increase the own funds but reduces the solvency coverage ratio. In practice, lapse rates on Utmost International's savings products have historically been low, reflecting the long-term inheritance planning purpose for which many of the products are purchased. We have not seen any material changes in lapse experience during 2020 up to the date of signing this Annual Report.

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

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

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

Utmost International's life companies seek to maintain a strong solvency position. The capital policy for the Irish and Isle of Man life companies is to maintain a Solvency Coverage Ratio of at least 135% and 125% respectively at all times and to ensure that the Solvency Coverage Ratio is in each case at least 150% immediately after the payment of a dividend. The Solvency Coverage Ratio of these entities at 31 December 2019 was comfortably in excess of these capital policies, as shown in Figure 7.

Figure 7:

Entity	Solvency Coverage Ratio YE19	At all times	Post dividend
UL	153%	125%	150%
UPE (inc. WTA[1])	190%	135%	150%
UPE (exc. WTA)	127%	100%	110%
UW	219%	155%	170%
UIGH Ltd[2]	161%	135%	150%

1 Withholding Tax Asset as detailed further in note 17 of the consolidated financial statements.
2 The Company's approach to managing capital at Group level mirrors the approach at life company level i.e. to maintain a Group Solvency Coverage Ratio between 135% (and 150% immediately after payment of a dividend).

Following the acquisition of UW, Utmost International agreed with the GFSC that for an initial period it will adopt a capital policy of seeking to maintain a Solvency Coverage Ratio of at least 155% at all times and of ensuring that the Solvency Coverage Ratio is at least 170% immediately after the payment of a dividend. UW is also required to ensure that it meets the regulatory capital standards in respect of each of its branches. In the case of most of these branches, the branch solvency reporting applies to the relevant branch business only. However, UW has to satisfy Hong Kong capital standards on a whole company basis. At 31 December 2019 the Solvency Coverage Ratio of UW was 219%.

Utmost International is subject to Group-level solvency regulation on an "Other Methods" basis by the CBoI at the level of its parent company, Life Company Consolidation Group (No 2) Ltd. Group solvency on a Solvency II basis is calculated and monitored by the Utmost International Board. The Group Solvency Coverage Ratio is calculated as Group Own Funds as a percentage of Group SCR (on a standard formula basis).

Figure 8: Solvency Coverage Ratio Sensitivities (31 December 2019)

Solvency coverage ratio = 161%

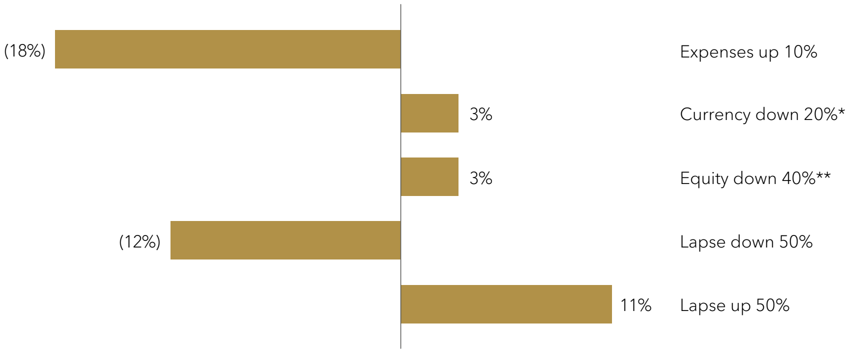
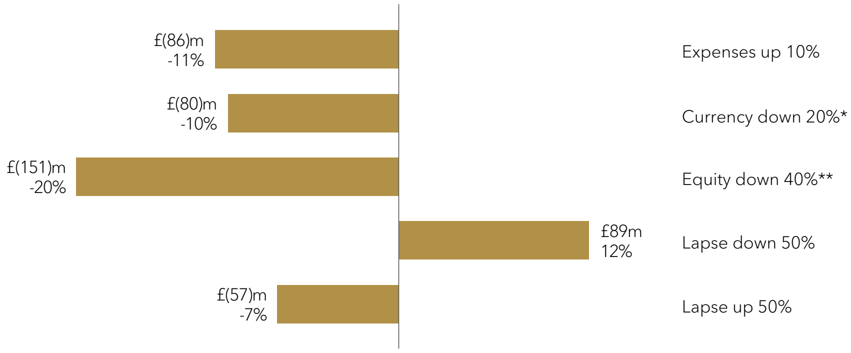


Figure 9: Own Fund Sensitivities (31 December 2019)

Own Funds = £731m



* The currency stress shows the impact of a 20% fall in non-GPB currencies, on the Solvency Coverage Ratio and Own Funds of Utmost International Group Holdings Ltd.
** Equity down stress includes property

Utmost International'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 2019, the Group maintained its strong capital position, with a Group Solvency Coverage Ratio of 161% at 31 December 2019 (2018: 157%) and Own Funds of £731m (2018: £690m). The Group Solvency Coverage Ratio remained stable at the start of 2020 up to the date on which these financial statements were signed, in spite of the ongoing market volatility. The mix of our fee base, between fixed and AMC based charges, and the equity symmetric adjustment contributed to the stability in the Solvency Coverage Ratio in 2020.

Figure 10:

Group Solvency II Capital	2019 £m	2018 £m
Own Funds	**731**	690
Solvency Capital Requirement	**455**	440
Solvency II Coverage Ratio	**161%**	157%

Operating company liquidity

Utmost International'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 SCR at all times.

Holding company cash

Cash is held at the holding company level to cover Group Head Office costs and an interest reserve account is maintained for each debt facility holding sufficient cash to pay the interest due on the facility concerned over the following 12 months.

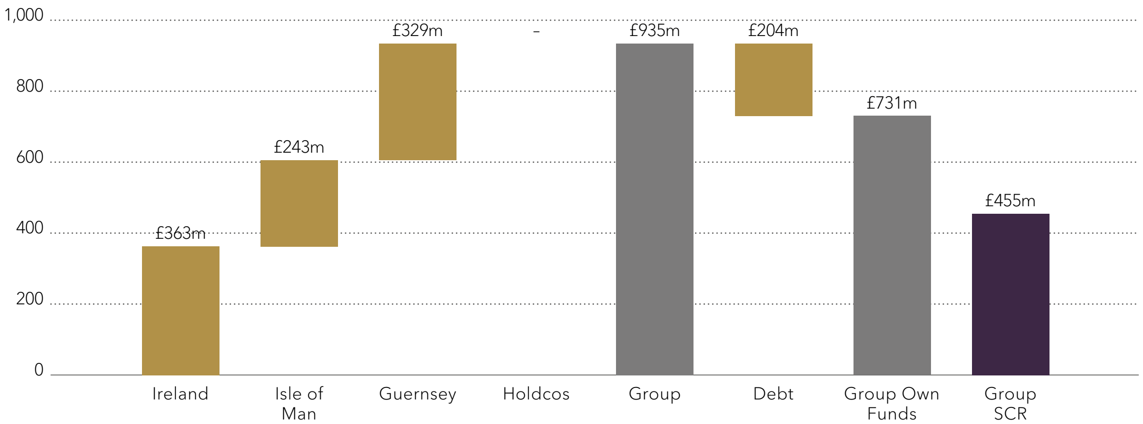
Excess cash not required to cover Group Head Office costs or to meet commitments under the debt facilities is available to be reinvested in the business, to fund future acquisitions, or to be returned to Utmost International's shareholders. Cash being returned to shareholders would be used to buy back some, or all, of Utmost International's preference shares at their accumulated value in the first instance.

Borrowings

Utmost International currently has two external debt facilities, a "Euro facility" and a "Sterling facility". The Euro facility comprises a €100m five-year term loan that was drawn down in June 2018 to help fund the acquisition of UPE. The final repayment is due in June 2023.

The Sterling facility currently comprises a £150m five-year term loan, due to mature in October 2023. A similar facility of £80m was originally entered into by Utmost International in 2016 to help fund the acquisition of Utmost Limited (formerly AXA Isle of Man Limited). In July 2018 Utmost International reached an agreement with its lending banks to increase the facility in connection with the acquisition of UW. Additional funds were drawn down on 28 February 2019 on completion of the UW acquisition.

Figure 11: Utmost International Group Solvency Position – 2019 actual (in £m)



Utmost International 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 2019, the leverage ratio was approximately 17% (2018: 21%).

Credit rating

Utmost International and its principal operating subsidiaries maintained their investment grade credit ratings from Fitch Ratings throughout 2019. In April 2020, Fitch conducted a ratings review of European life insurers under a set of base and stress-case rating assumptions to reflect the pressures from the Covid-19 pandemic. I am pleased that, based on their assessment of the impact of the pandemic, Fitch affirmed the Insurer Financial Strength rating of "A" with a Stable Outlook for the Company's principal operating subsidiaries. The Company has retained its Issuer Default Rating of BBB+. This reflects the strong capitalisation and stable leverage ratios of the Group.

Post-balance sheet events – Covid-19

Utmost International continues to monitor and assess the impact of the ongoing Covid-19 pandemic. The Group is well capitalised and our capital ratios were stable throughout the start of 2020 (to the point of signing this Annual Report and Accounts). The Group has a strong balance sheet and maintains a low leverage ratio. Under Solvency II and local solvency regulations in our operating jurisdictions, Utmost International's life companies are subject to ongoing stress testing based on extreme market conditions, and they hold adequate capital and liquidity to withstand such conditions. Please see note 39 of the consolidated financial statements for further details.

Summary

The Group has made strong progress in 2019. 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 recent period of uncertainty.

Ian Maidens
Group Chief Financial Officer

Governance

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

Utmost International Group Holdings Ltd. is a Guernsey incorporated company into which the results of the Utmost Wealth Solutions and Utmost Corporate Solutions businesses are consolidated. The operating subsidiaries through which business is conducted include Utmost PanEurope DAC, incorporated in Ireland, Utmost Limited, incorporated in the Isle of Man and, from February 2019, Utmost Worldwide Limited, incorporated in Guernsey.

Ownership

The immediate parent company of Utmost International Group Holdings Limited is Life Company Consolidation Group (No 2) Limited ("LCCG2"). The controlling party, which holds 86% of LCCG2 and therefore maintains a controlling interest in the Group, is OCM LCCG2 Holdings Limited. The remaining 14% of LCCG2 is held by Paul Thompson and Ian Maidens, the Founders of the business ("Founders").

OCM LCCG2 Holdings Limited is owned by a number of funds managed by subsidiaries of Oaktree Capital Group LLC ("Oaktree"), whose principal business is to make investments. In September 2019, Brookfield Asset Management completed the acquisition of an approximate 61% economic interest in Oaktree, also acquiring an approximate 13.6% voting interest. The day to day activities of Utmost International are controlled by the Board, comprised of the Founders and a representative of Oaktree. The economic beneficial interest, which sits in the funds managed by Oaktree, is not affected by the Brookfield acquisition.

For further information on the economic and beneficial ownership of the Utmost Group of companies, please refer to the Directors' Report on page 50.

Governance overview

The Boards of Utmost International Group Holdings Ltd. (the "Company") and LCCG2 are each comprised of an Oaktree representative and the Founders. LCCG2 has certain matters reserved to it in accordance with the Shareholder Agreement between Oaktree, the Founders, and the principal holding companies including the Company. LCCG2 has delegated these matters to the Board of the Company ("the Board"). A summary of these matters is provided overleaf.

The operating companies within Utmost International are governed by their constitutional documents, local law and regulation, and the Shareholder Agreement. As such, each operating company has its own governance structures, all of which are broadly aligned across Utmost International.

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

Board and committees of operating businesses

Boards of each of the operating businesses ("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 of Companies and in accordance with the relevant Corporate Governance guidelines, not considered independent. 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 executive directors are the CEO and CFO of each business.

The subsidiary boards each have mandates and duties which are drafted to align with the requirements of Shareholder Agreement and local law and regulation. These are summarised overleaf.

Strategy and performance

The subsidiary boards each develop their business plans to enable the achievement of the strategic goals of Utmost International, whilst ensuring that the companies 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 the Board, day-to-day management is delegated to the Chief Executive and the senior management teams of each business.

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 International Group are also aligned. A summary of the key terms of reference of board committees is provided overleaf.

From 2019 to date there has been continued activity to align the activities and processes of the subsidiary boards and governance arrangements across the Group. Initiatives included the introduction of a Group Policy Framework, the implementation of an electronic board portal, and the harmonisation of the board effectiveness process for each of the boards. Each subsidiary board acknowledged the improvements made and concluded at the end of 2019 that they continued to operate effectively. Notwithstanding this conclusion, several steps have been taken to improve governance, process and information flows for the directors; particularly the non-executive directors. Examples of these steps include improvements made to the agenda planning and board paper process, access to out of board-cycle business updates, increased access to the senior management pipeline, and the organisation of offsite Strategy meetings for each of the subsidiary boards.

These Strategy meetings take place in advance of the annual strategic planning process for the operating businesses, providing a forum for the directors to directly influence the strategic planning process for each operating entity.

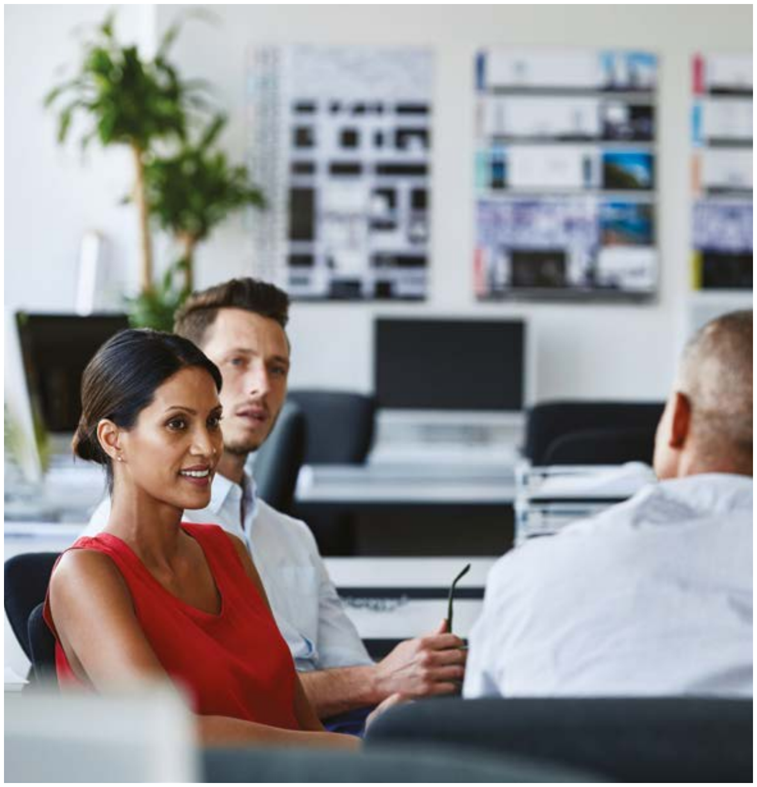
Compliance with law and regulation

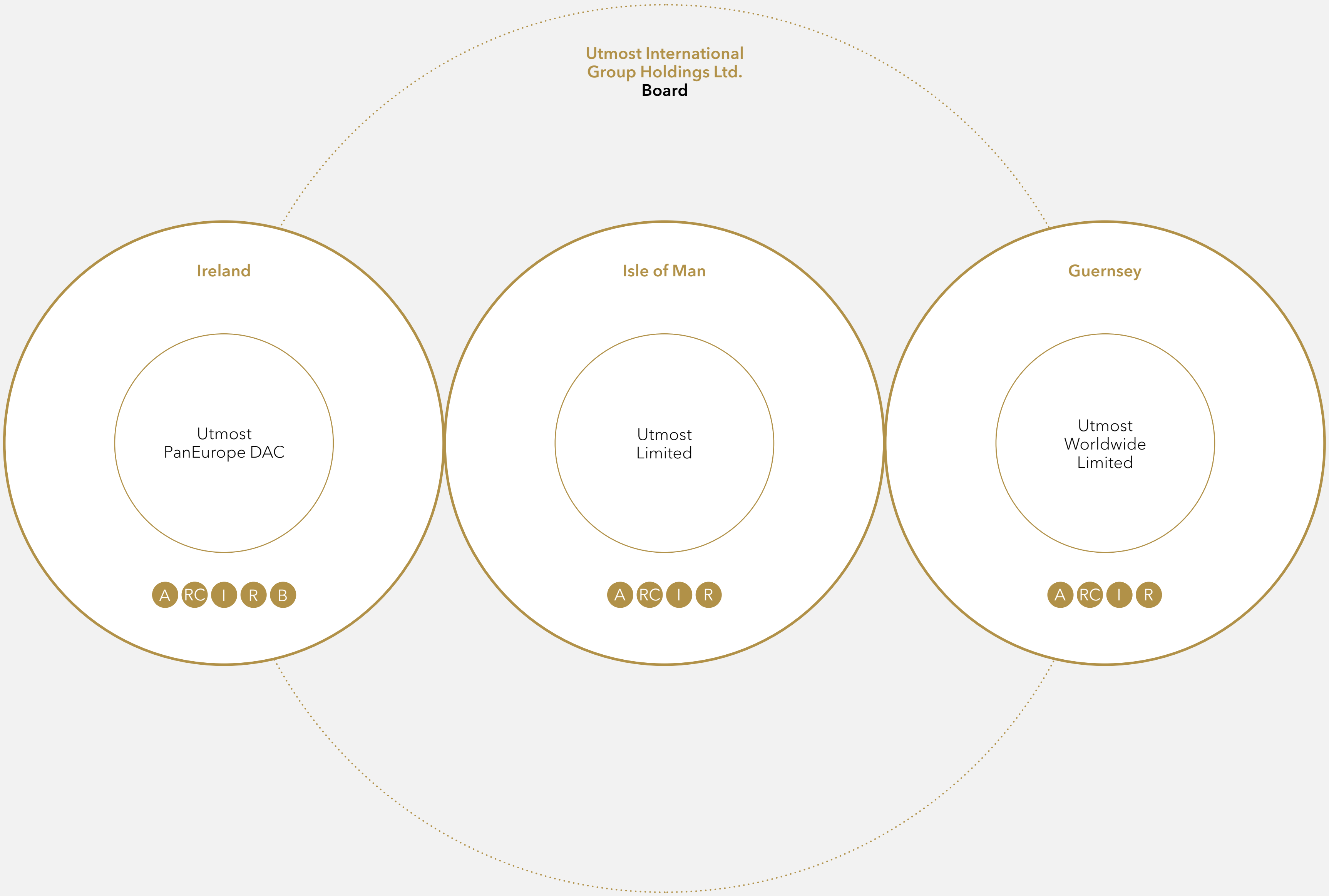
The operating subsidiary companies comply with local laws and regulations and report to the regulator as required by Codes and Requirements including:

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





Board of Utmost International Group Holdings Ltd
The Board sets the strategic goals for Utmost International, ensuring that each of the operating businesses has adequate resources to deliver the Group's strategy.

The Board is comprised of the Group CEO, Group CFO (the Founders) and a representative of Oaktree Capital Group (the Investor).

Board and Committees of regulated entities
Each regulated entity board is made up of an independent non-executive Chairman, the Chief Executive and Chief Financial Officer of the business and at least two if not a majority of non-executive directors.

In addition to the life insurance entities shown above, there are two additional regulated entities within the Group. Utmost Portfolio Management Limited, the business of which is the provision of investment management services, operates in Guernsey, and Utmost Trustee Solutions Limited, the business of which is to provide trustee services, operates in the Isle of Man.

Executive Management
The Chief Executives of each business put in place their own executive management structure and arrangements.

Key matters reserved for the Board

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

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

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 Committees

A

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.

R

Risk and Compliance Committee

The Risk and Compliance Committees established by the businesses oversee the risk and compliance management arrangements of each business, including the preparation and review of the Own Risk and Solvency Assessment. They ensure that risk appetite is appropriate and adhered to; that relevant regulatory requirements have been identified and adequate arrangements are in place to ensure regulatory compliance; and that key risks are identified and managed.

I

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.

R

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.

B

Banking Committee

The Banking Committees established by the Irish businesses ensure that regular administrative matters can be dealt with by the directors without recourse to the Board.

The Group's Risk Management Framework

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

Risk culture

A core objective of the Risk Management Function is to embed a positive and open risk management culture within Utmost International. In support of this objective risk management and compliance training is provided to all staff. The risk culture is embedded through the following:

- The Chief Risk Officers of all operating businesses are members of senior management and in the execution of their roles, integrate risk management thinking into the decision-making process.
- The strategic planning process and the ORSA process in each operating business must be aligned in order to include a risk-based forward-looking view in the development of the strategic plan.
- The Risk Management Function in each operating business is involved in material initiatives which may impact on the risk profile of that operating business or Utmost International as a whole. The role of each Risk Management 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.
- All Risk Management Functions work closely with the business units providing advisory services.

Risk management operating model

1. Risk strategy and appetite

Risk management objectives are clearly defined with supporting policies. The risk strategy is formalised by a set of quantitative and qualitative statements that outline the operating businesses' appetite for risk, including risk preferences, risk appetite, risk tolerances, risk limits and risk indicators.

2. Risk governance

The functions involved operate according to the "Three Lines of Defence" approach. The operating businesses have established separate and independent Risk Management Functions. The Audit Committees and the Risk and Compliance Committees oversee the Risk Framework and monitor the risk profile through Operational Risk Incident Reporting, Risk Profile Reporting, Emerging Risk Reporting, Outsourced Oversight and Risk Limit Reporting.

3. Risk management control and limits

The operating businesses have defined a series of risk limits, tolerances and indicators which are articulated in their risk appetite statements. Various control processes are put in place by the Risk Management Function, including ongoing monitoring of the risk profile and compliance with the agreed risk limits. The risk limits, methodologies and processes are cascaded through management and the Risk Management Function of each business.

4. Risk measurement and models

The Group has adopted a number of risk-based models and methodologies. A number of risk mitigation/reduction techniques have been implemented across the Utmost International businesses, including the use of reinsurance.

5. Embedding in business processes

Risk factors are taken into consideration in the following decision-making processes: Strategic Planning Process; Capital Allocation and Management; Asset Liability Matching and Investments; Solvency, Liquidity and Funding; Product Pricing, Development and Monitoring; Management Information and Performance Management.

Defining our risk appetite

The Risk Appetite Statement defines the following four concepts as the basis for risk strategy. It also articulates the level and nature of risk that the business is willing to take in order to pursue its strategy on behalf of its shareholders:

- Risk preferences
- Risk appetite
- Risk tolerance
- Risk limits


Risk appetite statement
Risk
preferences
Risk
appetite
Risk
tolerance
Risk
limits
Market
Insurance
Operational
Strategic
Example risk indicators

Risk strategy

The risk strategy at Utmost International 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 business to achieve its strategic objectives by supporting a more stable, well managed business with improved client and shareholder outcomes. This is achieved not by risk avoidance, but through the identification and management of an acceptable level of risk (its "risk appetite") and by ensuring that Utmost International is appropriately rewarded for the risks it takes.

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

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

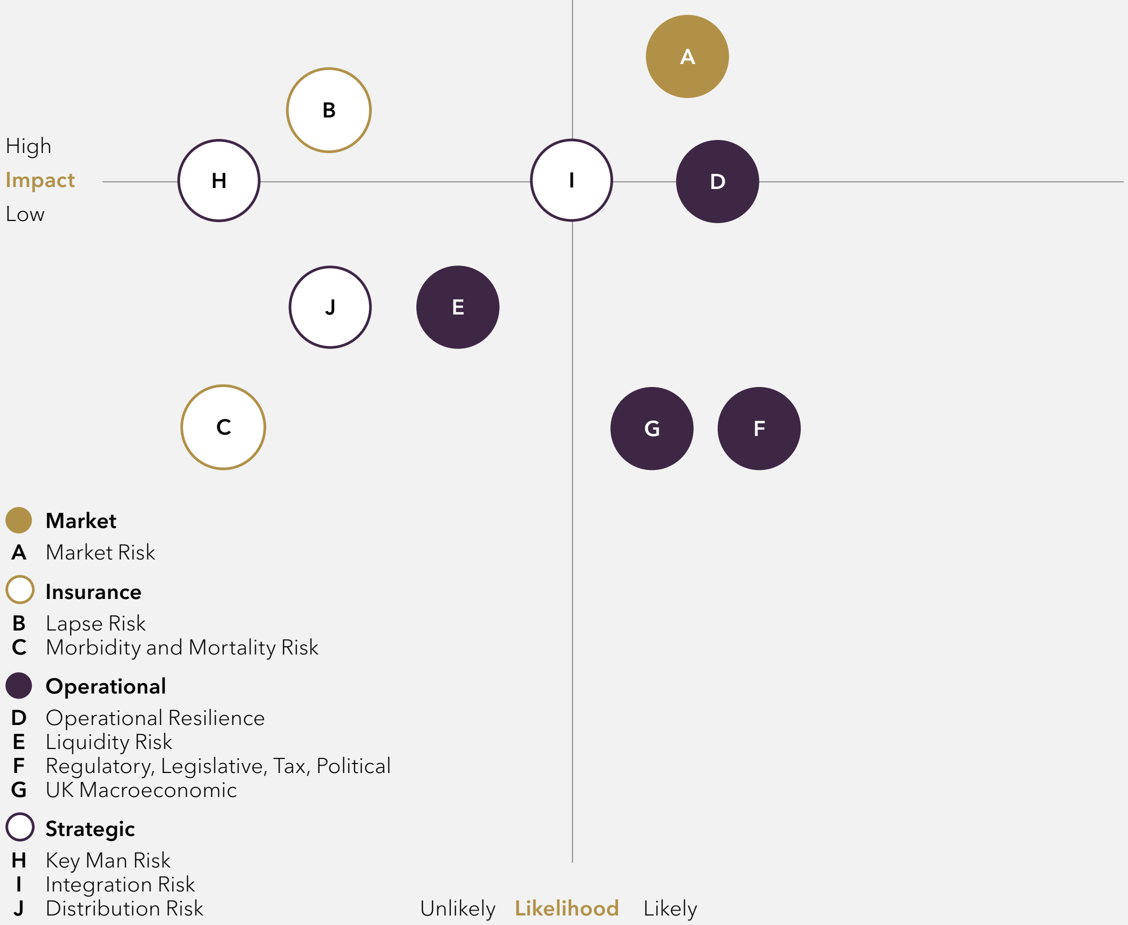
Risk appetite

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

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

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

Risk map



Risk universe

A key element of effective risk management is ensuring that the businesses have a complete understanding of the risks faced. These risks are defined in the Utmost International risk map, shown here.

Risk governance

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

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

As part of its governance structure, Utmost International has established a series of Board Committees in each of its businesses with specific delegated authorities. Further detail on the Board structure and activities of the Committees is set out in the Governance report on page 36. The Risk and Compliance Committees receive a consolidated risk report on a quarterly basis, detailing the risks facing the relevant business and the overall position against risk appetite limits. The Risk and Compliance Committees are also provided with regular reports on the activities of the risk functions.

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

Own Risk and Solvency Assessment ("ORSA")

The ORSA process is a key component of the risk management system which is aimed at assessing the adequacy of the solvency position and the risk profile of each business on a current and forward-looking basis.

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

ORSA reports are produced on an annual basis. In addition to the annual ORSA reports, a non-regular ORSA report will be produced if the risk profile of an operating business changes significantly.

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

The risk profile of each operating business, including ORSA triggers which would prompt the undertaking of a non-regular ORSA report, is monitored on an ongoing basis and reported to the Risk and Compliance Committee of the relevant business quarterly.

The Head of Actuarial Function in each business provides an actuarial opinion on the ORSA. The opinion addresses the following areas:

- The range of risks and the adequacy of stress scenarios considered as part of the ORSA process;
- The appropriateness of the financial projections included within the ORSA process; and
- Whether the undertaking is continuously complying with the requirements regarding the calculation of Technical Provisions and potential risks arising from the uncertainties connected to this calculation.

An ad-hoc ORSA report is produced when there is a material change to the risk profile of the business concerned. It is the responsibility of the Chief Risk Officer to identify when an ad-hoc ORSA report should be produced.

Risk and capital assessment

Utmost International operates a standardised assessment framework for the identification and assessment of the risks to which it may be exposed and how much capital should be held in relation to those exposures. This framework is applicable across all of the Utmost International businesses and establishes a basis, not only for the approach to risk assessment, management and reporting but also for determining and embedding the capital management policies across the business. Risk assessment activity is a continuous process and is performed on the basis of identifying and managing the significant risks to the achievement of the objectives of Utmost International.

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 risk functions provide further assurance to management and the Boards that individual risk exposures and changes to our risk profile are being effectively managed.

Three lines of defence

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

First line of defence

- The risk owners are the first line of defence. The risk owners are ultimately responsible for risks concerning their area and to define and update the actions needed to make their risk management processes effective and efficient;
- Risk owners control the activity of the risk takers, who deal directly with the market and the internal and external parties and who define activities and programmes from which risks may arise; and
- The risk management initiatives defined by the risk owners address the way risk takers undertake risks. In addition, there are a number of support units (e.g. actuarial) and oversight committees responsible for constantly monitoring specific risk categories, in order to measure and analyse them and to identify risk mitigation actions to the risk owners.

Second line of defence

- The risk management, legal, governance & compliance and elements of the actuarial functions represent the second line of defence. The risk management function oversees the whole risk management system ensuring its effectiveness. It supports the subsidiary boards and senior management in defining the risk strategy and in the development of the methodologies to identify, take, assess, monitor and report risks. It also supports the operating units implementing and adopting the relevant policies and guidelines. The Head of Outsourcing (who reports directly to the Chief Risk Officer) is responsible for the overall execution of the outsourcing life cycle; from the risk assessment to the final management of the agreement and subsequent monitoring activities. The legal and governance & compliance functions are in charge of evaluating whether the internal processes are adequate to mitigate compliance risk. The actuarial functions, through the Heads of Actuarial Function, challenge the content and assumptions of the ORSA and provide an assessment on the appropriateness of the ORSAs of each business.

Third line of defence

- Internal audit is the third line of defence. Internal audit is responsible for independently evaluating the effectiveness of the internal control and risk management system and for confirming the operational effectiveness of the controls.

Policy framework

The policy frameworks across the Utmost International businesses each comprise a set of policies that support the delivery of the strategy by establishing operating principles and expectations for managing the key risks to the businesses. The policy sets contain the minimum control standards to which each business must adhere and against which they report compliance. The policies define:

- The individual risks the policy is intended to manage;
- The degree of risk that Utmost International is willing to accept, which is set out in the policy risk appetite statements;
- The minimum controls required in order to manage the risk to an acceptable level; and
- The frequency of each control's operation.

There are also policies and charters in place which set out the roles and responsibilities of the Head of Outsourcing and each of the control functions (risk management, legal, governance & compliance, actuarial and internal audit). Details of these control functions and how they interact with the organisation in executing their responsibilities is set out in their respective charters. Each policy is the responsibility of a member of senior management who is charged with overseeing compliance across Utmost International.

The risk management, legal, governance & compliance and internal audit functions operate within the framework of specific policies that are subject to periodic updates and approval by the Boards. Specific regulations stemming from these policies govern in some detail the activities to be performed as part of the specific mission assigned, as well as the powers and responsibilities allocated by the Boards.

Legal, governance & compliance and risk management functions are involved where material new processes are drawn up and where changes are made to the organisational structure of the business. In particular, the legal, governance & compliance functions must always be involved in the drafting of processes where the issue of compliance is relevant.

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Losses from events such as fraud, litigation, damages to premises, cyber-attacks and failure to comply with regulations are therefore covered in the definition. It also includes financial reporting risk but excludes strategic and reputational risks.

In line with industry practices, Utmost International adopts the following operational risk classification categories:

- Internal fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company policy;
- External fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
- Employment practices and workplace safety – defined as the losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- Clients, products and business practices – defined as the losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product;
- Damage to physical assets – defined as the losses arising from loss or damage to physical assets from natural disaster or other events;
- Business disruption and system failures – defined as the losses arising from disruption of business or system failures; and
- Execution, delivery and process management – defined as the losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Following best industry practices, the Utmost International framework for operational risk management includes as main activities the risk incident reporting and loss data collection process, risk assessment and scenario analysis.

The risk incident reporting and loss data collection process involves the collection of losses incurred as a result of the occurrence of operational risk events and provides a backward-looking view of the historical losses incurred due to operational risk events.

The risk assessment and scenario analysis processes provide a forward-looking view on the operational risks the Group is exposed to.

Business performance and capital management

Business performance is routinely monitored with consolidated reporting against performance targets. Overall monitoring and reporting against the risk universe takes place in business unit management committees and is then reported to senior management and the operating business Boards via regular risk reporting.

Utmost International operates Capital Management Policies in each business, whereby capital is allocated across risks and held as a mitigant where appropriate. The amount of risk capital required is reviewed regularly.

External communication and stakeholder management

Utmost International has a number of internal and external stakeholders, each of whom has an active interest in our performance, including how risks are managed. Significant effort is made to ensure that our stakeholders have appropriate, timely and accurate information to support them in forming views of Utmost International.

People and reward

Effective risk management is central to the culture and values of the Utmost International businesses. Processes are operated that seek to measure both individual and collective performance and discourage incentive mechanisms which could lead to undue risk taking. Training and development programmes are in place to support employees in their understanding of the risk management framework.

Technology and infrastructure

Risk systems are employed across Utmost International to support the assessment and reporting of the risks faced. This enables management to document key risks and controls and to evidence that the latter are assessed at an appropriate frequency.

Emerging risks

Emerging risks are difficult to perceive and quantify. These include risks arising from changes to the internal or external environment, social trends, regulatory developments and technological achievements. In 2020, the risks relating to the ongoing Covid-19 pandemic have been closely monitored by the Risk and Compliance Committees and senior management with regular reporting to the operating business and Group boards. The Risk and Compliance Committees of each business review the Emerging Risk Registers and report to the subsidiary boards.

Principal risks

Market Risk	Description	Mitigant
A **Market Risk**	The Group is exposed to market risk through shareholder investments and Annual Management Charges ("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. There is no direct exposure to equity investments. 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 all 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 Utmost International's exposure to market risk.
Insurance risks	**Description**	**Mitigant**
B **Lapse Risk**	The Group is exposed to lapse risk in its wealth solutions products and its corporate solutions products.	An increase in lapses in our wealth solutions products would reduce the profitability of the Group; lower charges would be accumulated in respect of the AUA. Wealth solutions policies are established for wealth preservation and succession planning. The structure, benefits and taxation of the products encourages policies to be maintained over the long term. There is no minimum notice period to terminate in our corporate solutions products. However, premium rates are guaranteed for a minimum period and mid-cycle lapses are limited. Throughout 2020, lapses have shown no adverse trend despite the ongoing Covid-19 pandemic. Persistency is regularly monitored across the Group.
C **Morbidity and Mortality Risk**	The Group has exposure to morbidity and mortality through a number of products. Changes in long-term expectations or short-term volatility of morbidity or mortality could have adverse impacts on the Group.	Wealth solutions products contain minimal mortality risk and no morbidity risk. Corporate solutions products provide benefits to the employees of multinational corporations. The Group has exposure to mortality and morbidity risk through this business. Claims are actively managed with a focus on early intervention and rehabilitation for claimants. The Group undertakes regular reviews for experience and pricing of our products is actively managed. Claims on our wealth solutions products have not been impacted materially to date by the Covid-19 pandemic. Given the demographics and profile of the corporate solutions portfolio we do not expect a spike in mortality experience due to the Covid-19 pandemic. We expect morbidity experience will be limited given corporate solutions products provide for a long deferred period of 26 weeks.

Principal risks

Operational Risk	Description	Mitigant
D **Operational Resilience**	The Group has a risk of losses arising from inadequate or failed internal processes, controls or systems. Management are keenly focused on operational risk mitigation and focuses include core processes, outsourcing arrangements and the IT framework.	The Group takes a proactive approach to operational risk management with robust business continuity plans which are reviewed by senior management and regularly refreshed to minimise the risk of disruption to core processes and client servicing. Regulatory focus on insurers' business continuity plans is increasing and the Board places a high degree of attention on ensuring operational resilience. Relationships with outsource providers are actively monitored to ensure operational readiness and an oversight framework is in place to ensure preparedness of our suppliers. Our business relies on a range of IT systems. Our customer servicing is increasingly carried out online. Our IT model sets out a single group enterprise which is scalable and secure. The security of our IT systems is a priority and we utilise cyber-security capabilities to mitigate IT risk. Operational stress testing is carried out at regular intervals to demonstrate readiness in a range of scenarios. Utmost International's business continuity plans were invoked in 2020 prioritising employee safety in light of the Covid-19 pandemic with the majority of employees working from home during Q1/Q2 2020. The Group's approach was to ensure continuity in core function processing, continuity of outsourced processes and minimal disruption to client servicing. Close monitoring of processes and client servicing is in place as well as heightened fraud awareness.
E **Liquidity Risk**	The Group is exposed to liquidity risk which is the risk of not holding enough assets in sufficiently liquid assets so that liabilities can be met as they arise. The Group is exposed to liquidity risk, mainly from claims arising from policyholder contracts and from servicing debt requirements.	Once claims fall due on our wealth solutions policies, policyholder liabilities are funded by selling the policyholder assets. Claims are paid upon receipt of cash from the sale of securities or fund units which reduces Utmost International's exposure to liquidity risk. The Group maintains conservative leverage ratios and high interest coverage ratios and a liquidity buffer is held. The Group forecasts its cash and liquidity position to ensure that it can service its debt requirements and meet expenses due.
F **Regulatory, Legislative, Tax, Political**	Changes in regulation and legislation could increase the expenses of the Group or impact our operational, financial or solvency position. The political environment impacts the environment in which our industry operates and can impact the demand for our products. Tax rules are constantly evolving and can impact the design of our propositions.	The Group works closely with our regulators to understand any changes in regulation or legislation and implement any requirements effectively. The Group is regulated by the CBoI, the Isle of Man FSA and the GFSC, and various regulators where it has overseas branches. The regulators have substantial powers of intervention in relation to the companies they regulate, culminating in the ultimate sanction of the removal of authorisation to carry on insurance business. Such authorisations are fundamental to the Group's business. There is also the risk of a financial penalty which, in recent years, has been used with increasing quantum and publicity giving rise to both financial and reputational risk. The Group engages with its regulators to understand potential changes and address these proactively. We work to understand the impact of any changing regulation or legislation on our customers and ensure appropriate procedures and policies are in place to address any changes. The Group's operating subsidiaries may owe certain legal duties and obligations (including reporting obligations) to third party stakeholders and are subject to a variety of (often complex) laws and regulations. Again, the Group works proactively to ensure it meets its duties and obligations. 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 customer demand for the Group's products. Our scale enables the Group to respond rapidly to changes and we have the financial resources required to respond to change. Our proposition development team can develop new products or features to respond to changes in the tax or legislative environment. Our geographic diversity means we operate in multiple jurisdictions, meaning demand for our products is more resilient to changes in one region.
G **UK Macroeconomic**	The implications for financial services of the UK's exit from the EU are not finalised. Utmost PanEurope distributes into the UK on an EU Freedom of Services basis; it is possible that in the event of a "Hard Brexit" this would no longer be possible.	In these circumstances, based on our current understanding of the rules, Utmost International can continue to distribute business into the UK from Ireland utilising our Jersey licence. Another alternative will be to redirect all UK business to Utmost Limited, which distributes a similar product range into the UK market. This approach provides Utmost International greater flexibility in the event of a "Hard Brexit" than competitors who only have an Irish or Luxembourg underwriting entity.

Strategic Risk	Description	Mitigant
H **Key Man Risk**	Utmost International is part-owned by its founders, who act as Group CEO and Group CFO.	An executive committee comprised of the Group CEO, Group CFO and the operating business senior management sets overall strategy for Utmost International. In the event of a founder leaving his role or becoming incapacitated, Oaktree has the global network to identify and recruit suitable replacements. Group Head Office employs a small number of professionals across disciplines to support the Group CEO and the Group CFO; however the majority of staff are employed by the operating businesses in order to ensure key skills are maintained at that level.
I **Integration Risk**	Integration is core to Utmost International'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 International team has a proven in-house capability to deliver the integration of acquired businesses and portfolio transfers. Clear criteria are applied to potential acquisition targets to gain an understanding of the potential benefits and risks. Our due diligence helps ensure acquired businesses contribute in the delivery of our strategic goals including good customer outcomes and the delivery of synergies. The Group has a Target Operating Model ("TOM") designed to deliver synergies within the operating businesses and align their operational model to the strategic roadmap. Due diligence is carried out prior to acquisitions to ensure an understanding of the operational architecture and risks. Integration plans are developed in line with the TOM and resourced by our specialist operations team. Financial risks are assessed, and potential benefits are quantified. Our integration projects have periodic reviews to ensure senior management visibility and early identification of any amendments to budget or timescales.
J **Distribution Risk**	The Group writes new business in both wealth solutions and corporate solutions products. Wealth Solutions business is introduced by partners including Private Banks and IFAs. Corporate Solutions business is introduced by brokers and Generali Employee Benefits ("GEB"), our strategic partner for corporate solutions business. Our strategic goals include the organic growth of wealth solutions and corporate solutions. The growth anticipated in our business plans may not materialise if inflows are lower than expected and if our propositions do not meet the requirements of our customers.	Utmost International is supported by a large number of wealth solutions partners across geographies and client segments who direct business to UWS. Our proposition team tailor the features and design of our products to meet the needs of our customers. They actively identify areas for future growth with our strategic goal of delivering good customer outcomes central to this activity. We seek feedback from our partners on our propositions to ensure they remain relevant, competitively priced and deliver 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. Our products are unique in the market. UCS work closely with the brokers and with GEB on product development and to ensure our offering remains compelling and relevant.

The Utmost Group is dedicated to making a positive difference. To do this, it is important that we operate as a sustainable business, acting in the best interests of our clients, employees, partners, local communities and other stakeholders as well as our shareholders. It is crucial that we earn our stakeholders' trust and apply this ethos to everything that we do. This means responding to the changing world and environment in which we live, which is, in our view, essential in achieving our ambition to become a leading provider of insurance solutions in our chosen markets.

Customers

To deliver great outcomes to clients, we are committed to the continuing evolution of our high-quality product set. From developing suitable propositions to supporting our distribution partners, to communicating with our end clients and managing their policies, our business relies on the provision of excellent service.

We have a philosophy of keeping things simple, which means doing the small things right, reacting quickly and positively to fix things on the rare occasion where needed. Our customer-facing employees receive regular training and recruitment for these roles focuses on selecting individuals with a positive attitude and a strong commitment to providing excellent service. Our product literature is regularly reviewed to ensure that we are clear with our customers, treating them fairly and in accordance with the relevant legislation across the jurisdictions in which we operate.

This continued commitment to offering high-quality service to our advisers and clients is evidenced by our achievement of a Gold service rating from Defaqto, who are an independent provider of financial product research and analysis.

Employees

Our people are our greatest asset. To continue to attract, promote and retain the best candidates, our priority is to provide an open, diverse, and vibrant work environment where people feel empowered and in control of their careers, whatever their goals may be. We believe that our people make a real difference and we continually work to ensure that they are appropriately developed, engaged, and rewarded where this is in the best interests of the Group. We recognise that balance in life is important, resulting in a more productive, engaged, and happier workforce.

During 2019, there have been projects across all three businesses to gauge the morale of our people and focus on areas where we can make a positive difference. Utmost in Ireland is working with the Great Place to Work Institute and has made a three-year commitment to make improvements and establish a high-trust culture. This involves seeking and listening to employee feedback and embedding practices that enable all colleagues to do their best work. To date, the focus of resulting initiatives has been on three main areas; learning, performance and development, our work environment, and communications.

Utmost Challenge

The Utmost Challenge is a new initiative launched during 2019 which allows all employees across the Group to get extra support for their favourite charities whilst doing something they love. Individual donations of up to £5,000 can be provided either to match or top-up personal fundraising efforts.

To be considered for this initiative, employees apply to the Utmost Challenge Committee with the details of their chosen goal, and why it is an 'utmost' challenge. One unique challenge being supported is a project to trek, self-supported, through the Panama rain forest from the Caribbean to the Pacific to help with the protection and monitoring of the endangered jaguar population and fragile jungle ecosystem. The Group will also be sponsoring an attempt for one employee to swim the English Channel during 2020 in aid of MQ: Transforming Mental Health. Despite the impact of the Covid-19 pandemic, our employees have been showing the utmost determination to continue training!

In the Isle of Man, our "Office Vibe" survey has resulted in several employee-led working groups being established during 2019. These groups each focus on specific areas, including personal development, community and environment, wellness, appreciation, communication, and embedding the Utmost values. The working groups have resulted in several initiatives including review and redesign of the local intranet, activities in the community, and a reshaping of the personal development culture. Learning and development initiatives embrace all levels of seniority, from offering a curriculum of learning to support the development of core skills, to management development programmes and individual development plans. Across the Group, we provide opportunities and support our employees in working together on charity, community, or social initiatives, promoting a strong and productive working environment.

Community

We are passionate about having a positive impact not only on the lives of our employees, but also on the communities in which we operate. Local initiatives include fundraising events for local charities selected by local staff, donation matching schemes, and the availability of community support leave to help local organisations.

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

Environment

It would be impossible to ignore the global focus on climate change during 2019. The future impacts on our business and clients are being made clear. As providers of insurance solutions, we have a responsibility to provide the means for our clients to invest in accordance with their environmental and social objectives. This is reflected in many of our guided architecture fund ranges. We also recognise that our clients' needs are changing, and we are continually evolving our proposition to remain relevant.

Through the evolution of our investment due diligence process, we continue to gather information on the investment approach of our partners and their engagement with the companies that they invest in. For the Group's fixed income investments we continue to be selective in the exposures that we have, with a preference for companies that recognise the significance of the role that they have to play in society.

On a more local level, across our offices we have delivered a number of initiatives to enable our employees to reduce their impact on the environment, such as encouraging the reduce, reuse, recycle philosophy and specifically discouraging the use of single use plastics. Our Utmost Worldwide office in Guernsey is a proud recipient of the Keeping Guernsey Green award. As a business based across several different locations, we encourage the use of virtual meeting software. The recent Covid-19 pandemic has accelerated our transition to effective remote working practices, and we have taken all necessary measures to enable our employees to work safely and productively to meet client needs. We will continue to monitor our carbon footprint created by travel between our offices and are considering suitable projects in which to invest carbon credits.

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.

Fairtrade

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

The directors present their report together with the audited consolidated and Company financial statements for the year ended 31 December 2019.

Principal Activities

Utmost International Group Holdings Ltd. (the "Company") is a private company incorporated in Guernsey (registered no. 61518) within the meaning of section 2(1)(a) of The Companies (Guernsey) Law, 2008. The Company was incorporated on 13 January 2016. The principal activity of the Company is to act as a holding company for the life assurance businesses operated by its principal subsidiaries, Utmost PanEurope DAC ("UPE") (registered in Ireland), Utmost Limited (registered in the Isle of Man), and Utmost Worldwide Limited ("UW") (registered in Guernsey).

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

Ownership

The Utmost Group of Companies is part-owned by the Founders and by funds managed by subsidiaries of Oaktree Capital Group LLC ("Oaktree"). Oaktree is a leading global investment manager specialising in alternative investments with $125bn in assets under management as of 31 December 2019. Oaktree has over 950 employees and offices in 18 cities worldwide. Oaktree is regulated by the US Securities and Exchange Commission (SEC) and its UK entity, Oaktree Capital Management (UK) LLP, is authorised and regulated by the FCA.

The economic beneficiary owners of the Utmost Group of Companies are the Founders and the limited partners in the Oaktree Funds, none of whom play any part of 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 Utmost Group of Companies.

In 2019, Brookfield Asset Management acquired a majority interest in Oaktree. The acquisition completed in September 2019 with Brookfield acquiring an approximate 61.2% of Oaktree's business on an economic basis, and an approximate 13.6% voting interest. Brookfield is an alternative asset manager and Brookfield and Oaktree together have over $500bn in assets under management. Brookfield offers a range of public and private investment products and services and is co-listed on the New York and Toronto stock exchanges under the symbol BAM and BAM.A, respectively and a market cap of approximately $65bn. 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, 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 a representative of Oaktree. The economic beneficial ownership of the Utmost Group of Companies is not affected by the transaction and it is not expected that there will be any change to the Group's strategy or outlook as a result.

Further detail on the ownership of the Utmost Group of Companies is provided in the Corporate Governance Report on page 36.

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
- Harry Smith (resigned 20 March 2020)
- C.L. Secretaries Limited (Company 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 certain entities within the Utmost International group. Details of these interests are disclosed in note 37 of the consolidated financial statements.

Independent Auditor

PricewaterhouseCoopers LLC has indicated its willingness to continue in office.

Going concern

The directors of the Company have determined that it will continue in operational existence for the immediate future and therefore the financial statements have been prepared on a going concern basis. In making this assessment the directors considered the nature and quantum of its assets and liabilities and also considered the basis on which the financial statements were prepared. In making the going concern assessment, the directors considered the principal risks faced by the Company and its direct and indirect subsidiaries, its existing financial and operational resources and its overall solvency position.

Since 31 December 2019, the Covid-19 virus has developed into a global pandemic which has created significant levels of economic and financial insecurity. The potential impacts to the Company and the Group are included in note 39 of the consolidated financial statements.

Results and dividend

The result for the year is shown in the Consolidated Statement of Comprehensive Income on page 56. The directors do not recommend the payment of a dividend (2018: £nil).

Key events during the year

Change in name

The Company changed its name from LCCG Holdings (No 4) Limited to Utmost International Group Holdings Ltd on 30 January 2019, as part of a wider exercise across the Utmost Group of Companies to provide consistent branding using the Utmost name.

Acquisitions

On 28 February 2019 Utmost International, through its subsidiary UIG Holdings (No 6) Ltd., completed the acquisition of Generali Worldwide Insurance Company Limited. Generali Link Limited, the service company, was acquired as part of the transaction, renamed to Utmost Link Limited, and merged with Utmost Services Ireland Limited on 14 May 2019. From this date, Utmost Link Limited was dissolved by merger.

Share issuance
On 27 February 2019 the Company issued 55,000,000 preference shares for £1.00 each (total consideration £55m) and, on the same day, made a £55m capital contribution to its direct subsidiary UIG Holdings (No 5) Ltd. ("UIG5") in relation to the acquisition of Utmost Worldwide Limited.

On 27 February 2019 the Company issued 50,000,000 preference shares for €1.00 each (total consideration €50m, or £45m) and, on the same date, made a €50m capital contribution to its direct subsidiary UIG Holdings (No 2) Ltd. ("UIG2") in relation to the acquisition of the Athora Ireland international bond business. On 29 March 2019 Utmost Holdings Ireland Limited ("UHIL") subscribed for €30m (£27m) of shares in UPE, its direct subsidiary.

Consolidation of Irish entities
Augura Ireland DAC ("Augura") and Union Heritage DAC ("UHL") each underwent re-registration from designated activity companies to companies limited by shares on 27 February 2019. On the same day, share capital reductions for each of these companies and Harcourt Life Corporation ("HLC") were effected. On 14 May 2019, in accordance with section 463 of the Companies Act 2014 (the prevailing legislation in Ireland), a special resolution was passed to give effect to the merger by absorption of Augura and UHL into HLC and these entities were dissolved by merger.

The life assurance businesses of UI and HLI were consolidated by portfolio transfer to UPE on 31 October 2019. On 12 November 2019, HLI changed its name to HLI Danube DAC.

Acquisition of Oaktree
In 2019, Brookfield Asset Management acquired a majority interest in Oaktree, as described in the Ownership section of this Directors' Report.

Events subsequent to the year-end
Detail on events which took place subsequent to the year-end is provided in note 39 of the consolidated financial statements. Below is a summary of the key events.

Consolidation of Irish entities
Following the consolidation of UI and HLI into UPE in October 2019, UI and HLI were de-authorised by the CBoI and underwent re-registration from designated activity companies to companies limited by shares, effective 17 April 2020. On 30 April 2020, a special resolution was passed to give effect to the merger by acquisition of UI and HLI into HLC and these entities were dissolved by merger with an effective date of 6 May 2020.

Statement of directors' responsibilities
The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union, of the state of affairs of the Company and the Utmost International group of companies, and of the profit or loss of the Company and the Utmost International group of companies 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 have been followed, subject to any material departures disclosed 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 Utmost International group of companies and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and the Utmost International group of companies 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 Guernsey 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 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 Company's auditor is aware of that information.

The Strategic Report comprising pages 8 to 33 of this Annual Report and Accounts, and the Governance Report comprising pages 34 to 51, were approved by the Board of directors and signed on its behalf by:

Ian Maidens
Group Chief Financial Officer
16 June 2020

Financial Statements

Report on the audit of the financial statements

Our opinion

In our opinion:

- Utmost International Group Holdings Ltd.'s consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of its profit and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;
- Utmost International Group Holdings Ltd.'s company financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2019 and its profit and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

Utmost International Group Holdings Ltd.'s consolidated and company financial statements (the "financial statements") comprise:

- the consolidated and company statements of financial position as at 31 December 2019;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the consolidated and company financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, 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 in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of The Companies (Guernsey) Law, 2008, and for such internal control as the directors 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 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 and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's 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 auditor's 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, 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.

Report on other legal and regulatory requirements
Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

– we have not received all the information and explanations we require for our audit; or
– proper accounting records have not been kept; or
– the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
16 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	Restated* 2018 £'000
Revenue			
Net premiums earned	22	**69,783**	1,187
Fees and charges receivable	5	**148,372**	59,794
Other operating income		**12,662**	1,787
		230,817	62,768
Investment return	6	**2,734,647**	(801,665)
Net policyholder claims and benefits incurred			
Policyholder claims	22	**(82,444)**	(17,049)
Transfer (to)/from unallocated surplus	23	**(7,453)**	4,159
Changes in insurance contract liabilities		**(17,961)**	19,537
Changes in investment contract liabilities	21	**(2,646,075)**	817,015
		(2,753,933)	823,662
Expenses			
Administrative expenses	7	**(103,471)**	(71,265)
Commission and advisor fees		**(64,835)**	(14,179)
Amortisation of acquired value of in-force business	10	**(56,044)**	(30,512)
		(224,350)	(115,956)
Gain arising on bargain purchases	4	**187,333**	83,068
(Loss)/gain on acquisition of related party		**(1,787)**	19,248
Profit for the year before interest and tax		**172,727**	71,125
Finance costs	8	**(14,079)**	(5,179)
Profit for the year before tax		**158,648**	65,946
Tax credit	9	**825**	1,072
Profit for the year after tax		**159,473**	67,018
Other comprehensive income/(expense)			
Items reclassified to profit and loss			
Change in fair value of financial assets at fair value through OCI		**1,212**	–
Items that will not be reclassified to profit and loss			
Foreign currency translation movements in the year		**(15,748)**	5,443
Re-measurement on retirement benefit asset		**114**	–
Total comprehensive income for the year		**145,051**	72,461

* 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 60 to 95 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 £'000	Restated* 2018 £'000	Restated* 2017 £'000
Assets				
Intangible assets				
Acquired value of in-force business	10	**386,857**	317,269	156,650
Deferred acquisition costs	11	**28,610**	10,285	3,044
Other intangible assets	12	**455**	2,061	81
Tangible assets				
Property, plant and equipment	13	**19,965**	2,234	353
Investment property	14	**6,069**	4,274	–
Financial assets				
Financial assets at fair value held to cover linked liabilities	15	**26,394,480**	22,011,479	10,215,395
Other investments	16	**874,782**	32,244	10,181
Deposits		**17,050**	17,000	46,383
Cash and cash equivalents	19	**1,980,342**	1,822,934	92,985
Insurance assets				
Reinsurers' share of insurance contract liabilities	22	**800,750**	652,388	230,841
Insurance contract receivables		**–**	8	–
Deferred tax asset	26	**5,326**	7,387	–
Withholding tax asset	17	**122,432**	140,100	–
Other receivables	18	**125,227**	85,463	18,618
TOTAL ASSETS		**30,762,345**	25,105,126	10,774,531
Liabilities				
Technical provisions for investment contract liabilities	21	**27,982,876**	23,519,192	10,260,959
Liabilities under insurance contracts	22	**1,538,763**	824,832	230,841
Unallocated surplus	23	**28,920**	23,183	–
Reinsurance payables		**104,986**	37,714	–
Payables related to direct insurance contracts		**12,879**	26,751	–
Deferred front end fees	24	**37,979**	17,982	1,607
Borrowings from banks	25	**199,189**	123,718	73,152
Current and deferred tax liabilities	26	**21,112**	17,215	–
Other payables	27	**173,782**	95,454	26,567
Total liabilities		**30,100,486**	24,686,041	10,593,126
Capital and reserves				
Called up share capital presented as equity	28	**95**	95	95
Share premium	28	**383,221**	285,498	118,900
Retained earnings		**287,522**	128,049	62,410
Other reserves		**1,326**	–	–
Foreign currency translation reserve	29	**(10,305)**	5,443	–
Total equity		**661,859**	419,085	181,405
TOTAL EQUITY AND LIABILITIES		**30,762,345**	25,105,126	10,774,531

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

The notes on pages 60 to 95 form an integral part of these financial statements. The financial statements on pages 56 to 95 were approved and authorised for issue by the Board of Directors on 16 June 2020 and signed on its behalf by:

Paul Thompson
Director
16 June 2020

Ian Maidens
Director
16 June 2020

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Called up share capital presented as equity £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 January 2018		95	118,900	62,410	–	–	181,405
Cumulative impact of the initial application of IFRS 15 at 1 January 2018		–	–	(1,379)	–	–	(1,379)
Profit for the year		–	–	67,018	–	–	67,018
Foreign currency translation movements in the year	29	–	–	–	–	5,443	5,443
Shares issued during the year	28	–	166,598	–	–	–	166,598
Balance as at 31 December 2018		95	285,498	128,049	–	5,443	419,085
Profit for the year		–	–	159,473	–	–	159,473
Foreign currency translation movements in the year	29	–	–	–	–	(15,748)	(15,748)
Re-measurement on retirement benefit asset		–	–	–	114	–	114
Amounts reclassified to profit and loss		–	–	–	1,212	–	1,212
Shares issued during the year	28	–	97,723	–	–	–	97,723
Balance as at 31 December 2019		**95**	**383,221**	**287,522**	**1,326**	**(10,305)**	**661,859**

The notes on pages 60 to 95 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 £'000	Restated* 2018 £'000
Net cash flows from operating activities	30	**95,598**	1,702,820
Cash flows from investing activities			
Acquisition of subsidiaries – net of cash acquired and distribution received	4	**(98,982)**	(109,873)
Acquisition of property, plant and equipment		**(274)**	(1,578)
Acquisition of intangible assets	12	**(484)**	(38)
Proceeds on disposals of property, plant and equipment		**6**	31
Net cash used in investment activities		**(99,734)**	(111,458)
Cash flows from financing activities			
Issue of shares	28	**97,723**	95,211
Borrowings from banks		**299,072**	85,493
Repayments of bank borrowings		**(223,244)**	(37,000)
Loan interest paid		**(8,652)**	(4,490)
Net cash flows from financing activities		**164,899**	139,214
Net increase in cash and cash equivalents		**160,763**	1,730,576
Cash and cash equivalents at the beginning of the year		**1,822,934**	92,985
Exchange differences on cash and cash equivalents		**(3,355)**	(627)
Cash and cash equivalents at the end of the year	19	**1,980,342**	1,822,934

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

The notes on pages 60 to 95 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

1 General information
The principal activity of Utmost International Group Holdings Ltd (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 associated with underlying policies. These contracts are primarily written into the UK, Ireland, Italy, Switzerland, Cayman, The Bahamas and other European countries, and into Hong Kong and Singapore through the modified coinsurance agreement detailed in note 15. 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") during the year. The Company is a private company incorporated in Guernsey within the meaning of section 2(1)(a) of The Companies (Guernsey) Law, 2008 and was incorporated on 13 January 2016. The address of the Company's registered office is Utmost House, Hirzel Street, St Peter Port, Guernsey.

2 Significant Accounting Policies
2.1 Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and with applicable requirements of The Companies (Guernsey) Law, 2008. 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 2018 has been restated due to an error in the classification of Utmost Holding Isle of Man Limited's with-profits business as investment contracts and not as insurance contracts. This reclassification aligns the accounting treatment to be consistent with the wider Utmost Group.

On the Consolidated Statement of Financial Position this has resulted in the reclassification of the assets of the with-profits bonds (2018: £205.9m, 2017: £230.8m) from "Financial assets at fair value held to cover linked liabilities" to "Reinsurers' share of insurance contract liabilities", and the same value of liabilities of with-profits bonds being reclassified from "Technical provisions for investment contract liabilities" to "Liabilities under insurance contracts". In the Consolidated Statement of Comprehensive Income this has resulted in a reclassification from "Changes in investment contract liabilities" and "Investment return" (2018: both £16.1m) to "Changes in insurance contract liabilities".

There is no net impact to equity or profit from this restatement as the impact of the non-unit reserve and removal of deferred front end fees and deferred origination costs on the with-profits business is not material.

The comparative information for the year ended 31 December 2018 was restated to remove certain adviser charges totalling £3.4m from both "Fees and charges receivable" and "Administrative expenses" within the Consolidated Statement of Comprehensive Income. These amounts were accounted for as profit or loss transactions in error. There is no impact on the Group's profit or net assets from this restatement.

The comparative information for the year ended 31 December 2018 in note 21 "Technical provisions for investment contract liabilities" was also restated to reclassify investment adviser charges totalling £7.2m from "Change in investment contract liabilities" to "Fees and charges deducted including third party charges", after reassessment of the nature of these transactions. There is no impact on the Group's profit or net assets from this restatement.

The comparative information for the year ended 31 December 2018 has been restated to reclassify certain policyholder liability backing cash and cash equivalent balances (2018: £1,680m, 2017: £36m) which in error were previously classified within "Financial assets at fair value held to cover linked liabilities" on the Statement of Financial Position to "Cash and cash equivalents". There has also been a reclassification of the modified coinsurance account (2018: £572m, 2017: £777m) which was previously classified as a separate balance on the Statement of Financial Position to now be included in the "Financial assets at fair value held to cover linked liabilities" balance. There is no impact on the Group's profit or net assets from this restatement.

Notes 5, 6, 7, 15, 19, 21, 22, 30 and 31 were amended as a result of these reclassifications.

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

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

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

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

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

The excess of the:

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

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

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

2.1.2 Going concern

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

In making the going concern assessment for the foreseeable future the directors considered the principal risks the Group faces, in particular the existing financial resources and the overall solvency position of the regulated entities. The Directors' Report summarises the Group's activities, financial performance and principal risks facing the Group.

On the basis of the above, the directors have determined that it is reasonable to conclude that the Group will continue in operational existence for the foreseeable future and therefore that it is appropriate to prepare the financial statements on a going concern basis.

The directors' assessment of the impact of Covid-19 on the adoption of the going concern basis in preparing the financial statements is detailed in note 39 "Events after the year end date".

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

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

2.2.2 Foreign currency transactions and balances

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

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

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

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

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

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

An intangible asset may be acquired in a business combination. If an intangible asset is acquired in a business combination, the cost of the asset is specified by IAS38 (in accordance with IFRS3) to be its fair value on the date of acquisition. The fact that a price can be established for an intangible asset which is acquired in a business combination is accepted as evidence that future economic benefits are expected to accrue to the entity.

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

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

2.4 Intangible fixed assets – software

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

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

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

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

2.5 Property, plant and equipment

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

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

* or remaining period of the lease.

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

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

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

2.6 Financial assets and financial liabilities

2.6.1 Classification

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

2 Significant Accounting Policies CONTINUED

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

2.6.2 Recognition and derecognition

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

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

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

2.6.4 Financial assets at fair value through other comprehensive income

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

2.6.5 Financial assets and financial liabilities at amortised cost

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

The Group holds a solvency portfolio which consists of long-dated bonds which are held for asset-liability matching purposes and is accounted for at amortised cost. This solvency portfolio is classified under "Other investments" in the Statement of Financial Position. The Group's accounting policy in respect of the impairment of this solvency portfolio is detailed in note 2.8 below. Financial assets at amortised cost are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method, less any provision. A provision for impairment of loans and receivables is recognised in line with the Expected Credit Loss ("ECL") method as detailed in note 2.8.

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

2.6.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by an IFRS or interpretation, as specifically disclosed in the accounting policies of the Company or Group.

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 determination of the fair value is a judgemental area and inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may 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 recognised in OCI is recycled to the profit or loss upon de-recognition of the assets.

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

2.9 Investment return

Investment return comprises interest, dividends and fair value gains and losses on financial assets as well as gains and losses on investment properties. All gains and losses arising from changes in the fair value of financial investments held at fair value through profit and loss, realised or unrealised, are recognised within "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" and "Other operating income", for shareholder backed assets, in the Statement of Comprehensive Income using the effective interest method.

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

2.10 Reinsurance

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

The assets which are invested in the with profits funds managed by Aviva Group are held at the valuation provided by Aviva of the Group's share of assets in the with profit funds at the year end.

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

Gains or losses on purchasing reinsurance are recognised in the Statement of Comprehensive Income at the date of purchase and are not amortised. They are the difference between the premiums ceded to reinsurers and the related change in the reinsurers' share of insurance contract liabilities.

2.11 Product classification

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

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

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

2.12 Liabilities under investment contracts

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

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

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

2.13 Liabilities under insurance contracts and investment contracts with discretionary participation features (DPF)

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

2 Significant Accounting Policies CONTINUED

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. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. The entities who have insurance contracts at 31 December 2019 include UPE, UL and UW.

Insurance liabilities are determined by the directors on the advice of the Reporting Actuary for each subsidiary under the requirements of IFRS 4 "Insurance 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 as well as for each non-life insurance contract.

Insurance liabilities are calculated in accordance with the actuarial principles laid down in Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009.

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

Life assurance contracts

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premium is recognised. The liabilities of the Group's unitised with-profit business are calculated as the lower of the current unit value and surrender value of each policy.

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

In UW, contracts that invest in the Deposit Administration fund are classed as investment contracts with a DPF, as UW exercises a degree of discretion on the amount and rate at which eligible surplus is released. These deposit administration contracts contain a guaranteed rate of interest of up to 2.5% that varies by currency and reflects government bond yields, for a duration of maximum three years. The contracts also contain a DPF based on discretionary bonus rates declared by the Company, to the extent they may exceed the guaranteed rate.

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

Non-life insurance contracts

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

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

Liability Adequacy Test

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

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

Unallocated Surplus

The unallocated surplus comprises the excess of the assets over the policyholder liabilities of the unitised with-profit business. For the Group's unitised 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 unitised with-profit business is closed to new business and as permitted by IFRS 4, the whole of the unallocated surplus has been classified as a liability.

2.14 Investment property

Investment property comprises freehold and leasehold properties held to earn rentals or for capital appreciation or both. Investment property held in respect of liabilities to customers under investment contracts is included in the Statement of Financial Position at fair value. Fair values are based on valuations provided by independent third party valuers using, where relevant, accepted Royal Institution of Chartered Surveyors guidelines or equivalent local guidelines appropriate to the location of the property. Fair values are reviewed and agreed by management and any fair value gains or losses are recognised in "Investment return" in the Statement of Comprehensive Income. Rental income from investment properties is also recognised in "Investment return" 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 balances held by the Group in interest reserve accounts as security for the loan interest payable on the bank borrowings detailed in note 25. In the 2018 and 2017 financial statements these balances were classified as cash and cash equivalents and the comparatives in these financial statements have been adjusted to present these balances as other receivables.

2.17 Deposits

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

2.18 Net premiums earned

In respect of insurance contracts and investment contracts with DPF, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Unearned premiums are those proportions of premiums written in a year that 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 a payable basis.

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

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

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

2.20 Renewal commission and advisor 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 and the fees fall due for payment.

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

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

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

Deferred acquisition costs are amortised in line with the projected payment of fees and claims, allowing for the expected level of surrenders. The amortisation of deferred acquisition costs is charged to the Statement of Comprehensive Income within the "Commission and 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
Under the modified coinsurance arrangement (detail provided in note 15), the statutory reserve on the ceded business is the obligation of, and held by, the ceding company. The Group remains at risk of loss from lapse and surrenders.

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

2.25 Finance costs
Interest payable is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest method. Finance arrangement fees are capitalised and amortised over the term of the loan.

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.

As the Scheme detailed in note 20 is currently in surplus it has not been necessary to adjust the Statement of Financial Position items as a result of the requirements of IFRIC 14, The Limit on a Defined Benefit Asset issued by IASB's International Financial Reporting Interpretations Committee.

2 Significant Accounting Policies CONTINUED

2.28 Taxation (current and deferred)

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

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

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

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

2.29 Provisions and contingent liabilities

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

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

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

2.30 Share Capital and Share Premium

Ordinary share capital and preference share capital are classified as equity. The issued preference shares are non-voting, redeemable preference shares and as at 31 December 2019 the Company has both Sterling and Euro-denominated preference shares in issue. No preference share dividends have been paid to date. On issuance of new share capital, the excess of consideration received over the face value of the shares is recognised as share premium.

2.31 Changes in accounting standards and accounting policies

Prior to 1 January 2019 leases in which substantially all the risks and rewards of ownership are retained by the lessor were classed as operating leases. Lease payments were recognised as an expense as incurred, and were included within expenses in the Statement of Comprehensive Income.

IFRS 16 'Leases' eliminates the distinction between operating and finance leases and requires lessees to recognise all leases on the Statement of Financial Position other than those with a lease term of less than 12 months or for which the underlying asset is of low value. IFRS 16 has been adopted on a modified retrospective basis and so the 2018 comparatives are not required to be adjusted. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Statement of Financial Position on 1 January 2019. On adoption of IFRS 16 the Group recognised a lease as a right-of-use asset and corresponding lease liability in relation to leases which had previously been classified as operating leases in accordance with IAS 17. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any incentives receivable under the lease. Lease payments in relation to options to terminate are only included in the measurement of the liability if it is reasonably certain that the option will not be exercised, otherwise payments following the option to terminate will not be included.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined then the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow funds to obtain an asset of similar value to the right-of-use asset. The incremental borrowing rate is 3%, which has been determined with reference to the borrowing rates of the wider Utmost Group, and taking into account the credit rating of the trading subsidiaries of the Group.

Lease payments are allocated between principal and a finance cost. The finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is measured at cost comprising the amount of the initial measurement of lease liability, adjusted for the prepaid portion of the final lease payment made prior to 1 January 2019. The right-of-use asset is depreciated over the remaining lease term on a straight line basis less any impairment, up to the date of the first tenant break clause.
A summary of the financial impact in 2019 is shown in Table 1 below:

Table 1

	Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows
On adoption 1 January 2019	On adoption a "right-of-use" ("ROU") asset of £11.7m was capitalised (classified within 'Property, plant and equipment') with a corresponding lease liability of £11.7m established within 'Other payables'.	n/a	n/a
31 December 2019	ROU asset of £17.0m* Lease liability of £17.3m** * included within Property, plant and equipment. ** included within Other payables.	The depreciation charge in respect of the ROU asset in 2019 was £2.6m. The interest expense in respect of the unwind of the lease liability in 2019 was £0.7m.	Cashflows from all leases in the year totalled £3.1m.

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 2021. 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 is expected to change 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 an impact assessment as well as producing an implementation plan. 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 and policies.

The implementation project will continue in 2020 with a 'dry run' exercise expected to be completed across the Group during the year.

3 Critical accounting estimates and judgements

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

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

Critical accounting estimates

3.1 Insurance contract liabilities

The calculation of insurance contract liabilities is a critical estimate, based on the fact that although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process are the subject of estimations. As a consequence, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide appropriate levels of contract liabilities taking known facts and experiences into account but, nevertheless, such liabilities remain uncertain.
The calculation methodology is discussed further in accounting policy 2.13, 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 2 and Level 3 financial instruments therefore involve the use of estimates.

3.3 Recoverability of acquired value of in-force business

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

Critical judgements

3.4 Product classification

The Group's classification between which products are insurance contracts and which are investment contracts is detailed in notes 2.11 to 2.13. This is a critical judgement for the Group given the classification dictates the relevant presentation and measurement that is applied to each type of contract in the financial statements.

4 Subsidiaries

The consolidated financial statements include the following subsidiaries as at 31 December 2019:

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
UIG Holdings (No 2) Ltd.	13 Jun 18	Utmost House Hirzel Street St Peter Port Guernsey	Investment holding	100% of issued share capital
UIG Holdings (No 3) Ltd.	13 Jun 18	Utmost House Hirzel Street St Peter Port Guernsey	Investment holding	100% of issued share capital
UIG Holdings (No 5) Ltd.	15 Jan 16 (incorporation date)	Utmost House Hirzel Street St Peter Port Guernsey	Investment holding	100% of issued share capital
UIG Holdings (No 6) Ltd.	13 Jan 16 (incorporation date)	Utmost House Hirzel Street St Peter Port Guernsey	Investment holding	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
UIG Holdings (No 4) Ltd.	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
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
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
HLI Danube Limited	2 Dec 15	Ashford House Tara Street Dublin 2	Former life assurance provider	100% of issued share capital
Utmost Ireland DAC	13 Jun 18	Ashford House Tara Street Dublin 2	Former life assurance provider	100% of issued share capital

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
Utmost Services Ireland Limited	13 Jun 18	Ashford House Tara Street Dublin 2	Management and administration services	100% of issued share capital
Harcourt Life Corporation DAC	11 Mar 15	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
Salado Enterprises Ltd*	13 Jun 18	Jubilee Buildings Victoria Street Douglas Isle of Man	Property holding	100% of issued share capital
Kernesk Limited**	13 Jun 18	Jubilee Buildings Victoria Street Douglas Isle of Man	Property holding	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 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
Winged Lion Pensions Limited	5 Sep 19	Albert House South Esplanade St Peter Port Guernsey	Provision of financial services	100% of issued share capital
Utmost Secretariat Limited	8 Oct 19 (incorporation date)	Utmost House Hirzel Street St Peter Port Guernsey	Dormant	100% of issued share capital

* Dissolved 15 January 2020.
** Sold to a third party 14 February 2020.

On 28 February 2019 the Group completed the acquisition of Generali Worldwide Insurance Company Limited and Generali Link Limited and subsequently renamed both to Utmost Worldwide Limited and Utmost Link Limited respectively. The acquisitions continue the expansion of the Utmost Wealth Solutions business and further strengthen its global footprint. Total cash consideration paid of £347,454k (€406,000k), which included a contingent consideration of £4,102k (€4,801k) based on an aggregate of target solvency capital ratio and solvency buffer for which the targets were met, was paid in exchange for 100% of equity interests in each business.

In order to finance the acquisition detailed above, the Group entered into an "Amendment and Restatement Agreement" with Lloyds Bank Plc, National Westminster Bank Plc, ING Bank N.V., London Branch and ABN AMRO Bank N.V. to increase the original facility of £37,000k ("Facility A1") by a further £113,000k ("Facility A2"), together consolidated into the Facility A loan, and a short-term bridging facility of £192,575k (€225,000k) ("Facility B") with effect from 28 February 2019. The Facility A loan is repayable in stages with termination and the final repayment date being 31 October 2023. The first repayment of £9,000k fell due on 30 April 2019 followed by a further £9,000k due at six monthly intervals. The Facility B loan was repaid on 1 March 2019, following the receipt of a £196,584k (€230,000k) distribution from Utmost Worldwide Limited which was accounted for as a return of capital.

These business combinations resulted in a bargain purchase as the fair value of the assets acquired and liabilities assumed exceeded the total of the fair value of the consideration paid. This was driven by the fact that Assicurazioni Generali S.p.A. considered the businesses to be non-core and wished to exit the market. The Statement of Comprehensive Income includes £95,831k of revenue and £29,043k of profit relating to post-acquisition transactions of Utmost Worldwide Limited and Utmost Link Limited. If the acquisitions above had been effected on 1 January 2019, circa £113m of revenue and circa £25m of profit would have been recognised in the Group Statement of Comprehensive Income.

4 Subsidiaries CONTINUED

The fair value of the assets and liabilities acquired during the year are as follows:

	£'000
Assets	
Financial assets at fair value	3,582,577
Reinsurers' share of technical provisions	105,995
Cash and cash equivalents	51,472
Cash and cash equivalents – policyholder backed	175,739
Trade receivables	52,520
AVIF at date of acquisition	135,993
Other assets	241,380
Total assets	4,345,676
Liabilities	
Liabilities to customers under insurance contracts	665,910
Liabilities to customers under investment contracts	2,981,828
Deferred tax liability on AVIF at date of acquisition	8,169
Other liabilities	158,233
Total liabilities	3,814,140
Consideration paid	(347,454)
Fair value of net assets at date of acquisition	531,536
Gain arising on bargain purchase of Utmost Worldwide Limited	(186,307)
Goodwill arising on acquisition of Utmost Link Limited	2,225

There are immaterial contractual cashflows included within the trade receivables balance in the table above which are not expected to be collected. The "Gain arising on bargain purchases" balance in the Statement of Comprehensive Income includes a £1.0m gain arising from the prior year purchase of the Athora International bond portfolio.

5 Fees and charges receivable

	2019 £'000	Restated* 2018 £'000
Fee income from investment contracts	126,995	59,094
Net movement in deferred front-end fees	(6,920)	(5,347)
Other fee income – including commission and rebate income	28,297	6,047
Total fee income	148,372	59,794

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

6 Investment return

	2019 £'000	Restated* 2018 £'000
Interest income on policyholder investments	2,082	1,776
Dividend income	16,409	43,647
Net gains on realisation of investments	431,953	460,090
Change in fair value of financial assets	2,266,915	(1,324,957)
Net foreign exchange gains	17,288	17,779
	2,734,647	(801,665)

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

7 Administrative expenses

	2019 £'000	Restated* 2018 £'000
Staff costs		
Wages and salaries	**41,787**	21,384
Social insurance costs	**4,875**	3,390
Pension costs – defined contributions	**2,950**	1,639
Termination costs	**18**	259
Other staff costs	**2,519**	233
	52,149	26,905
Depreciation of property, plant and equipment	**4,094**	373
Amortisation of intangible assets – software	**90**	58
Auditor's fees	**1,447**	588
Auditor's fees non-audit services	**333**	290
Operating lease costs	**–**	1,119
Intangibles write off	**–**	9,681
Professional fees	**12,952**	18,057
Other administrative costs	**32,406**	14,194
Total operating expenses	**103,471**	71,265

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

Operating lease costs in 2019 are nil given the adoption of IFRS 16 on 1 January 2019 – see note 2.31. Other administrative costs in 2019 and 2018 primarily comprises IT costs associated with the underlying subsidiaries.

Remuneration for the Group's directors (including directors of the operating entities) comprised:

	Directors' salaries & short-term benefits £'000	Post employment benefits £'000	Termination benefits £'000	Total £'000
2019	**6,305**	**214**	**–**	**6,519**
2018	2,618	105	279	3,002

The average number of persons (including directors) employed by the Group during the year was 709 (2018: 350).

8 Finance costs

	2019 £'000	2018 £'000
Bank loan interest	**8,626**	4,312
Bank loan arrangement fee amortisation	**5,453**	867
	14,079	5,179

The finance costs arise on financial liabilities measured at amortised cost using the effective interest rate method. The bank loans in place at 31 December 2019 are detailed in note 25. There are no other gains or losses on these liabilities.

9 Tax credit

	2019 £'000	2018 £'000
Current taxation – credit	825	1,072

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

Guernsey taxation
The Company pays Guernsey income tax at the standard rate of 0% (2018: 0%) and Utmost Worldwide pays tax at 10% on local business. Applicable tax rates in other jurisdictions where the Guernsey subsidiaries suffer taxation were Hong Kong 8.25% on the first HKD 2M and 16.5% thereafter, 12.5% in Ireland, Switzerland average 20.3% and 17% in Singapore. Management recognises that there are carried forward losses in the Singapore Branch of £8,393k but has chosen at this stage not to recognise a deferred tax asset until future profits are more probable.

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% (2018: 0%). This rate is not expected to change in the foreseeable future.

Ireland taxation
The Ireland subsidiaries are subject to tax at 12.5% (2018:12.5%).

UK taxation
The Group had carried forward losses in UIG Holdings (No 4) Ltd. of £3,813k (2018: £3,023k) and UIG Holdings (No 1) Ltd. of £1,663k (2018: £605k). However the Group has chosen not to recognise a deferred tax asset in respect of these losses until it is more probable that there will be future UK taxable profits against which those losses can be offset.

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

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	158,648	65,946
Tax at the Guernsey rate of 0% (2018: 0%)	–	–
Over provision in respect of profits taxable at the Irish rate (12.5%) (2018: 12.5%)	–	(1,147)
General provision in respect of taxes payable at different rates	500	–
Underprovision in respect of overseas tax liability recognised on acquisition of subsidiary	99	–
Overprovision in respect of overseas deferred tax liability recognised on acquisition of a subsidiary	(1,147)	–
Prior year overprovision in respect of overseas tax	(56)	–
Overseas losses taxable at different rate	(171)	–
Utilisation of overseas tax losses which had been previously unvalued	(81)	–
Overseas tax losses arising on which no value has been placed	42	–
Withholding tax (recovered)/suffered	(11)	73
Other	–	2
Tax (credit) for the year	(825)	(1,072)

10 Acquired value of in-force business

	2019 £'000	2018 £'000
At 1 January	370,377	178,891
Value of in-force policies acquired	135,993	187,675
Foreign exchange movement	(11,986)	3,811
At 31 December	494,384	370,377
Accumulated amortisation		
At 1 January	53,108	22,241
Charge for the year	56,044	30,512
Foreign exchange movement	(1,625)	355
At 31 December	107,527	53,108
Net book value at 31 December	386,857	317,269
Current (within 12 months)	44,595	35,485
Non-current (after 12 month)	342,262	281,784
	386,857	317,269

11 Deferred acquisition costs

	2019 £'000	2018 £'000
At 1 January	10,285	3,044
Cumulative impact of IFRS 15 as at 1 January 2018	–	(243)
On acquisition of subsidiary	–	6,605
Acquisition costs capitalised during the year	15,911	1,269
Acquisition costs amortised and other movements during the year	3,317	(882)
Foreign exchange movement	(903)	492
At 31 December	28,610	10,285
Current (within 12 months)	10,929	1,416
Non-current (after 12 months)	17,681	8,869
	28,610	10,285

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

12 Other intangible assets

	Goodwill £'000	Software £'000	Total £'000
Year ended 31 December 2018			
Opening net book amount	–	81	81
Acquired on acquisition of subsidiary	1,954	9,681	11,635
Additions	–	38	38
Amortisation charge	–	(58)	(58)
Write-off of intangibles	–	(9,681)	(9,681)
Foreign exchange movement	46	–	46
Closing net book value	2,000	61	2,061
Net book value			
Cost	2,000	2,815	4,815
Accumulated amortisation	–	(2,754)	(2,754)
At 31 December	2,000	61	2,061
Year ended 31 December 2019			
Opening net book amount	2,000	61	2,061
Acquired on acquisition of subsidiary	1,787	–	1,787
Additions	–	484	484
Amortisation charge	–	(90)	(90)
Write-off of intangibles	(3,787)	–	(3,787)
Foreign exchange movement	–	–	–
Closing net book value	–	455	455
Net book value			
Cost	–	3,299	3,299
Accumulated amortisation	–	(2,844)	(2,844)
At 31 December	–	455	455

13 Property, plant and equipment

	Right of use asset £'000	Leasehold improvements, computer and office equipment £'000	Motor vehicles £'000	Total £'000
Year ended 31 December 2018				
Opening net book amount	–	190	163	353
Additions on acquisitions of subsidiaries	–	390	–	390
Additions	–	1,928	–	1,928
Disposals	–	(12)	(64)	(76)
Depreciation charge	–	(365)	(8)	(373)
Impairment loss in year	–	(17)	–	(17)
Foreign exchange movement	–	29	–	29
Closing net book value	–	2,143	91	2,234
At 31 December 2018				
Cost	–	6,205	159	6,364
Accumulated depreciation	–	(4,045)	(68)	(4,113)
Impairment loss	–	(17)	–	(17)
Net book amount	–	2,143	91	2,234

	Right of use asset £'000	Leasehold improvements, computer and office equipment £'000	Motor vehicles £'000	Total £'000
Year ended 31 December 2019				
Opening net book amount	–	2,143	91	2,234
Impact of the adoption of IFRS 16	11,735	–	–	11,735
Additions on acquisitions of subsidiaries	6,019	1,473	–	7,492
Additions in the year	2,431	804	–	3,235
Disposals	–	–	(2)	(2)
Depreciation charge	(2,605)	(1,464)	(25)	(4,094)
Foreign exchange movement	(585)	(50)	–	(635)
Closing net book value	16,995	2,906	64	19,965
At 31 December 2019				
Cost	19,799	15,221	137	35,157
Accumulated depreciation	(2,804)	(12,315)	(73)	(15,192)
Net book amount	16,995	2,906	64	19,965

14 Investment property

	2019 £'000	2018 £'000
At 1 January	4,274	–
Additions on acquisition of related party	–	21,225
Disposals	–	(8,583)
Fair value movement	2,139	(8,864)
Foreign exchange movement	(344)	496
At 31 December	6,069	4,274

15 Financial assets at fair value held to cover linked liabilities

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

	2019 £'000	Restated* 2018 £'000
Fixed income securities	1,821,346	1,705,429
Deposits and loans	1,959,805	1,939,198
Ordinary shares and funds	21,773,572	17,424,751
Other investments	315,782	370,152
Modified coinsurance account	523,975	571,949
	26,394,480	22,011,479

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

Included in the analysis above are investments of £224,239k (2018: £242,937k) 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.

15 Financial assets at fair value held to cover linked liabilities CONTINUED

Interest in structured entities

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

The Group considers its investments in collective investment schemes to be investments in unconsolidated structured entities, which are recognised within 'Assets held to cover linked liabilities' on the Statement of Financial Position. These investments largely represent assets held to back policyholder linked liabilities, and as such any market movements (recognised within 'Investment return' in the Statement of Comprehensive Income) is matched by a change in investment contract liabilities in the Statement of Comprehensive Income. The Group's maximum exposure to interests in unconsolidated structured entities is £22,193,581k (2018: £17,575,231k). The Group has not sponsored any structured entities in 2019 or 2018.

The Group does not determine it has any interests in consolidated structured entities as at 31 December 2019 (2018: £nil).

Modified coinsurance account

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

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

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

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

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

	2019 £'000	2018 £'000
Balance at 1 January	571,949	777,232
Deposits to investment contracts	5,350	9,142
Withdrawals from investment contracts	(39,748)	(192,144)
Attributable investment income	2,576	29,504
Attributable net loss on investments	(12,164)	(47,231)
Policy charges	(3,949)	(4,493)
Attributable expenses and charges	(39)	(61)
Balance at 31 December	**523,975**	571,949

16 Other investments

	2019 £'000	2018 £'000
Fixed interest securities – at fair value through profit and loss	**546,037**	–
Fixed interest securities – at fair value through other comprehensive income	**277,866**	–
Fixed interest securities at amortised cost	**10,579**	–
Ordinary shares and funds – at fair value through profit and loss	**40,300**	32,244
	874,782	32,244

The fixed interest securities at fair value balances comprise shareholder backed government and corporate bonds in Utmost Worldwide Limited.

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 both GBP and EURO share classes, of £40,127k and £173k respectively at 31 December 2019 (2018: £10,279k and £21,965k). 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 2019 and 31 December 2018.

17 Italian withholding tax prepayment and accrual

	2019 £'000	2018 £'000
Asset		
Balance at 1 January	**140,100**	–
Additions on acquisition of subsidiaries	–	112,902
Payable in the year	–	32,204
Recovered from policyholders during the year	**(8,832)**	(8,273)
Prior year adjustments	**(392)**	–
Foreign exchange movement	**(8,444)**	3,267
Balance at 31 December	**122,432**	140,100
Liability		
Balance at 1 January	**32,204**	–
Additions on acquisition of subsidiaries	–	32,660
Payable in the year	–	32,204
Paid during the year	**(32,204)**	(33,494)
Foreign exchange movement	–	834
Balance at 31 December	–	32,204
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	**122,432**	107,896
In more than five financial years, but not more than twenty financial years	–	32,204
Total	**122,432**	140,100

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 % of total mathematical reserves (MR) for the Italian business (currently 0.45%) and is paid each June. 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

	2019 £'000	Restated* 2018 £'000
Debtors arising out of investment and insurance contracts	65,136	36,124
Investment dealing debtors	24,141	10,814
Interest reserve account	9,950	7,888
Retirement benefit asset (see note 20)	3,620	–
Other receivables and prepayments	22,380	30,637
	125,227	85,463
Current (within 12 months)	115,277	77,575
Non-current (after 12 months)	9,950	7,888
	125,227	85,463

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

19 Cash and cash equivalents

	2019 £'000	Restated* 2018 £'000
Deposits with credit institutions	8,751	615
Cash at bank	1,971,591	1,822,319
	1,980,342	1,822,934

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

Included within cash at bank is £1,857,786k (2018: £1,679,591k) of policyholder cash which is include within cash and cash equivalents on the Statement of Financial Position but is held to cover linked liabilities.

20 Retirement benefit asset

The retirement benefit asset was acquired by the Group as part of the acquisition of Utmost Worldwide Limited in February 2019. The amounts recognised in the Statement of Financial Position under "Other receivables" for pension benefits are determined as follows:

	2019 £'000	2018 £'000
Present value of funded obligations	(20,175)	–
Fair value of plan assets	23,795	–
Net asset recognised in the Statement of Financial Position	3,620	–

The amounts recognised in the Statement of Comprehensive Income are as follows:		
Net interest on defined benefit obligation	(95)	–
Re-measurement recognised	114	–
Actual return on fund assets	3,304	–
	3,323	–

There are no active members in the scheme and the present value of funded obligations is split £18,494k to deferred pensioners and £1,680k to pensioners. The obligation is located in Guernsey.

Change in retirement benefit obligation

	2019 £'000	2018 £'000
Retirement benefit obligation at acquisition	19,794	–
Benefits paid	(2,714)	–
Interest on obligation	516	–
Experience gains	86	–
Gains from changes in financial assumptions	2,564	–
Gains from changes in demographic assumptions	(71)	–
Retirement benefit obligation at 31 December	20,175	–

Change of fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at acquisition	23,204	–
Interest on assets	612	–
Return on assets (not including interest)	2,693	–
Benefits paid	(2,714)	–
Closing fair value of plan assets	23,795	–

The weighted average duration of the liabilities of the scheme was 26 years as at 31 December 2019.

Plan asset disaggregation by asset class

	2019 %	2018 %
Equities	68.7	–
Gilts	8.2	–
Corporate bonds	15.9	–
Property	1.6	–
Cash	5.6	–
	100	–

Plan assumptions

	2019 %	2018 %
Discount rate at end of year	2.0	–
Discount rate at acquisition date	2.8	–
Inflation	3.0	–
Rate of increase in deferred pensions	2.9	–
Rate of increase in pension payments	2.9	–
Rate of increase in pensions in payment for former Sun Alliance members	3.5	–

Mortality Assumptions
The mortality assumptions are based on standard mortality tables, which allow for future mortality improvements.

The assumptions are that a member aged 63 will live on average until age 88.1 if they are male and until age 89.6 if female. For a member currently aged 45 the assumptions are that if they attain age 63 they will live on average until age 89.6 if they are male and until age 91.2 if female.

20 Retirement benefit asset CONTINUED

Sensitivity Analysis

The following table illustrates the sensitivity of the Retirement Benefit Obligation at 31 December 2019 to changes in the significant actuarial assumptions.

	2019 Impact on Retirement Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 12.5%	Increase by 14.7%
Inflation	0.5%	Increase by 14.3%	Decrease by 9.9%
Pension increases	0.5%	Increase by 8.4%	Decrease by 7.5%
		Change to 105%	**Change to 95%**
Scaling Factor applied to base mortality table		Decrease by 1.4%	Increase by 1.5%

Funding Policy

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 amounts recognised during the year for payments to the defined benefit schemes amounted to £nil.

21 Technical provisions for investment contract liabilities

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

	2019 £'000	Restated* 2018 £'000
Balance at start of year	**23,519,192**	10,260,959
Addition on acquisition of subsidiaries	**2,981,828**	14,292,199
Deposits to investment contracts	**1,544,966**	910,383
Withdrawals from investment contracts	**(1,872,631)**	(1,315,087)
Fees and charges deducted including third-party charges	**(88,515)**	(67,786)
Third-party compensation applied	**44**	57
Commissions and rebates receivable	**(23,384)**	4,362
Change in technical provisions for investment contract liabilities	**2,646,075**	(817,015)
Foreign exchange movement	**(724,699)**	251,120
Movement in the year	**4,463,684**	13,258,233
Closing balance carried forward	**27,982,876**	23,519,192

* 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 extremely 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 Liabilities under insurance contracts

	Gross liabilities 2019 £'000	Reinsurers' share 2019 £'000	Gross liabilities Restated* 2018 £'000	Reinsurers' share Restated* 2018 £'000
Insurance contracts	1,130,730	800,750	780,476	652,388
Investment contracts with DPF	408,033	–	44,356	–
As at 31 December	1,538,763	800,750	824,832	652,388
As at 1 January	824,832	652,388	230,841	230,841
Additions on acquisition of subsidiaries	665,910	105,995	561,557	453,114
Policyholder premiums	205,954	136,171	15,962	14,774
Policyholder claims	(173,285)	(90,841)	(68,168)	(51,119)
Other changes in liabilities	53,704	27,759	70,300	(6,793)
Foreign exchange movements	(38,352)	(30,722)	14,340	11,571
As at 31 December	1,538,763	800,750	824,832	652,388

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

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

	2019 £'000	Restated* 2018 £'000
Life assurance provision	1,221,088	746,770
Unearned premium reserve	32,443	11,131
Incurred but not reported reserve	76,551	11,527
Reported but not settled reserve	186,924	54,776
Other	21,757	628
	1,538,763	824,832

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

See note 31 for the key judgements and sensitivities in respect of liabilities under insurance contracts.

23 Unallocated surplus

	2019 £'000	2018 £'000
At 1 January	23,183	–
Additions on acquisitions of subsidiaries	–	27,240
Transfer from/(to) Statement of Comprehensive Income	7,453	(4,159)
Foreign exchange adjustments	(1,716)	102
At 31 December	28,920	23,183

24 Deferred front-end fees

The movement in value over the year is summarised below:

	2019 £'000	2018 £'000
At 1 January	17,982	1,607
Cumulative impact of IFRS 15 at 1 January 2018	–	1,136
On acquisition of subsidiary	–	13,998
Fees received and deferred during the year	12,621	1,821
Recognised in contract fees and other movements during the year	8,907	(580)
Foreign exchange movements	(1,531)	–
	37,979	17,982
Current (within 12 months)	8,944	2,011
Non-current (after 12 months)	29,035	15,971
	37,979	17,982

25 Borrowings from banks

	2019 £'000	2018 £'000
Bank loan principal	203,900	127,236
Bank loan accrued interest	525	513
Loan arrangement fee unamortised	(5,236)	(4,031)
	199,189	123,718
Payable within one year	25,552	25,013
Payable after more than one year	173,637	98,705
	199,189	123,718

Sterling bank facility

On 27 April 2016 UIG Holdings (No 6) Ltd. entered into a loan facility agreement with Lloyds Bank Plc and The Royal Bank of Scotland Plc to borrow £80,000k to facilitate the acquisition of Utmost Holdings Isle of Man Limited (the AXA Isle of Man group of companies), which was utilised and drawn down on 20 October 2016. The loan is repayable in stages with termination and the final repayment date being five years from initial utilisation and drawdown.

In order to finance the acquisition of Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited) that took place during the year (as detailed in note 4), the Group entered into an "Amendment and Restatement Agreement" with Lloyds Bank Plc, National Westminster Bank Plc, ING Bank N.V., London Branch and ABN AMRO Bank N.V. to include the original facility of £37,000k ("Facility A1"), a new facility of £113,000k ("Facility A2"), together consolidated into the Facility A loan, and a short term bridging facility of €225,000k ("Facility B") with effect from 28 February 2019. The Facility A loan is repayable in stages with termination and the final repayment date being 31 October 2023. The first repayment of £9,000k fell due and was paid on 30 April 2019 followed by a further £9,000k due and being paid at six-monthly intervals. The Facility B bridging loan and an arrangement fee of £2,411k was repaid on 1 March 2019, following the receipt of a €230,000k distribution from Utmost Worldwide Limited.

Interest on the loan is charged at Sterling LIBOR for the interest period, normally six months, plus a variable margin based on the ratio of consolidated total net debt to economic value. The margin at the year end was 3% (2018: 3%) per annum. The original arrangement fee of £1,825k has been combined with an additional arrangement fee of £2,543k, and together are being amortised over the five-year loan term.

As part of the borrowings detailed above, £6,328k (2018: £4,278k) is held by UIG Holdings (No 6) Ltd. in interest reserve accounts at Lloyds Bank International Limited as security for the loan interest payable. Furthermore UIG Holdings (No 5) Ltd., as 100% owner of UIG Holdings (No 6) Ltd., has under the terms of a Security Interest Agreement, assigned all its rights, title and interest in its shareholding in UIG Holdings (No 6) Ltd. to Lloyds Bank Plc as security for the loan. There are four registered charges over UIG Holdings (No 4) Ltd.; these charges are not commitments of the Group, but relate to charges over the UIG Holdings (No 4) Ltd.'s assets in respect of the senior debt facility in place.

Euro bank facility
On 15 December 2017 the UIG Holdings (No 3) Ltd. entered into a loan facility agreement with Lloyds Bank Plc, National Westminster Bank Plc, ING Bank N.V., London Branch and ABN AMRO Bank N.V. to borrow £127,416k (€145,000k) to facilitate the loan facility to UIG Holdings (No1) Ltd. on 15 June 2018. €100,000k of this facility was utilised. The loan is repayable in stages with the final repayment date being five years after the date of completion for the acquisition of Utmost PanEurope DAC (being 19 June 2018, "the completion date"). The first repayment of £8,787k (€10,000k) was paid on 19 June 2019 and a second repayment of £4,229k (€5,000k) was paid on 19 December 2019. Interest on the loan is charged at EURIBOR for the interest period plus a margin (based on a loan-to-value ratio, calculated in accordance with the Senior Facilities Agreement ("SFA"). The margin applied at 31 December 2019 is 3% (2018: 3.75%). The initial arrangement fee of £3,360k is being amortised over the five-year loan term.

As part of the borrowings detailed above, £3,622k (2018: £3,610k) is held by UIG Holdings (No 3) Ltd. in interest reserve accounts at Lloyds Bank International Limited as security for the loan interest payable. Furthermore UIG Holdings (No 2) Ltd. as 100% owner of UIG Holdings (No 3) Ltd., has under the terms of a Security Interest Agreement, assigned all its rights, title and interest in its shareholding in UIG Holdings (No 3) Ltd. to Lloyds Bank Plc as security for the loan.

26 Current and deferred tax assets and liabilities

	2019 £'000	2018 £'000
Deferred tax assets	5,326	7,387

The deferred tax assets relate to the Irish business; £1m relates to losses carried forward in UPE and £4m relates to deferred tax in respect of an IFRS 15 transitional adjustment in UPE (prior to acquisition by the Group). The movement between the opening and closing deferred tax asset balance is shown in the table below:

	2019 £'000	2018 £'000
Balance as at 1 January	7,387	–
Addition on acquisition of subsidiary	–	7,511
Deferred tax charge for the year	(1,658)	(124)
Foreign exchange movement	(403)	–
Balance as at 31 December	5,326	7,387

	2019 £'000	2018 £'000
Deferred tax liability	21,112	17,215

The deferred tax liability arises on the acquisitions of UPE (£14,299k) and Utmost Worldwide (£6,813k), representing the associated tax impact of recognising the AVIF asset detailed in note 10. 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:

	2019 £'000	2018 £'000
Balance as at 1 January	17,215	–
Additions on acquisition of subsidiary	8,231	16,787
Deferred tax charge for the year	(3,324)	–
Foreign exchange movement	(1,010)	428
Balance as at 31 December	21,112	17,215

27 Other payables

	2019 £'000	2018 £'000
Tax payable/provision – policyholders	476	34,416
Premiums received in advance of policy issue	10,230	8,639
Amounts due to investment contract holders	80,146	13,106
Investment dealing creditors	2,648	7,621
Lease liability	17,253	–
Other creditors and accruals	63,029	31,672
	173,782	95,454

27 Other payables CONTINUED

All other payables are due for settlement within one year with the exception of the lease liability disclosed below

	2019 £'000	2018 £'000
Opening amount	–	–
Impact of adopting IFRS 16	11,671	–
Additions on acquisition of subsidiary	6,176	–
Additions	2,431	–
Interest charge in the year	718	–
Lease payments made in the year	(3,102)	–
Foreign exchange movements	(641)	–
	17,253	–

	2019 £'000	2018 £'000
Current (within 12 months)	1,763	–
Non-current (after 12 months)	15,490	–
	17,253	–

Reconciliation of IFRS 16 lease liability and IAS 17 lease commitments

	£'000
Undiscounted operating lease commitments disclosed at 31 December 2018	16,444
Discounted operating lease commitments disclosed at 31 December 2018	11,671
Lease liability discounted at the incremental borrowing rate at 1 January 2019	11,671

28 Called up share capital presented as equity/share premium

	2019 Number	2018 Number
Allotted, called up and fully paid		
Ordinary shares of £1 each	95,000	95,000
S Ordinary Shares of £1 each	100	100
Preference shares of €0.0000001 each	235,400,000	185,400,000
Preference shares of £0.0000001 each	177,000,000	122,000,000

	£'000	£'000
Ordinary shares of £1 each	95	95
S Ordinary Shares of £1 each	–	–
Preference shares of €0.0000001 each	206,221	163,498
Preference shares of £0.0000001 each	177,000	122,000
	383,316	285,593

The movements in the year were as follows:

	Ordinary No. of shares 2019	S Ordinary No. of shares 2019	€ Preference No. of shares 2019	£ Preference No. of shares 2019
At beginning of the year	95,000	100	185,400,000	122,000,000
Issued during the year	–	–	50,000,000	55,000,000
At end of financial year	95,000	100	235,400,000	177,000,000

In 2018 the Company issued 185,400,000 of Euro preference shares of €0.000001 each and 3,100,000 of Sterling preference shares of £0.000001 each.

Share capital

	Ordinary 2019 £'000	S Ordinary 2019 £'000	€ Preference 2019 £'000	£ Preference 2019 £'000	Total 2019 £'000
At beginning of the year	95	–	–	–	95
Issued during the year	–	–	–	–	–
At end of financial year	95	–	–	–	95

Share premium

	Ordinary 2019 £'000	S Ordinary 2019 £'000	€ Preference 2019 £'000	£ Preference 2019 £'000	Total 2019 £'000
At beginning of the year	–	–	163,498	122,000	285,498
Issued during the year	–	–	42,723	55,000	97,723
At end of financial year	–	–	206,221	177,000	383,221

The Company has in issue 177,000,000 (2018: 122,000,000) Sterling preference shares of £0.000001 each, issued at a price of £1.00 per share, and 235,400,000 (2018: 185,400,000) Euro preference shares of €0.000001 each, issued at a price of €1.00 per share. The Company also has 100 (2018: 100) S ordinary shares of £1 each issued. As detailed in note 2.30, the preference shares are classified as equity, given they are non-voting, redeemable preference shares and to date no preference share dividends have been paid. The S ordinary shares and preference shares are redeemable at the option of the Company and do not carry any voting rights or guaranteed dividends. However the preference shareholders are entitled to a return equivalent to 8% per annum in priority to ordinary shareholders. Payment of the Company's reserves can only be made in accordance with the Company's distribution terms as set out in the Company's Articles of Association. On winding up, the preference shares have priority over S ordinary shares which in turn have priority over the ordinary shares.

29 Foreign currency translation reserve

	2019 £'000	2018 £'000
At beginning of the year	5,443	–
Foreign currency translation movements in the year	(15,748)	5,443
At end of year	(10,305)	5,443

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

	2019 £'000	Restated* 2018 £'000
Profit before taxation	158,648	65,946
Non-cash movements		
Amortisation of acquired VIF	56,044	30,512
Amortisation of intangible assets – software	90	58
Gains arising on bargain purchases	(187,333)	(83,068)
Depreciation/write-off of intangibles on acquisition	–	10,054
Loss/(gain) on acquisition of related party	1,787	(19,248)
Change in working capital		
Increase in investment contract and insurance contract liabilities, net of policyholder claims	2,531,947	835,647
Net movement in financial assets	(2,622,209)	825,746
Change in other working capital items	156,624	37,173
Net cash flows generated from operating activities	95,598	1,702,820

* 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. The primary objective is the protection of the solvency ratio to ensure it has and will have sufficient capital to discharge all liabilities as and when they become due.

Governance structure
The Group's governance structure below the Company's Board comprises the appropriate subsidiary board and sub-committee structures in each of the operating companies. The subsidiary board sub-committees in each operating company are the Audit Committee, Risk and Compliance Committee, Remuneration Committee, Investment Committee and, in Ireland, the Banking Committee of UPE.

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 following recommendation from the Risk and Compliance Committee.

Each Audit Committee is responsible for reviewing the appropriateness and completeness of the systems of internal control. Each Audit Committee also reviews the annual financial statements, considers the significant financial reporting issues and judgements which they contain and makes recommendations to the relevant board concerning their content and approval.

Each Risk and Compliance Committee is responsible for the review and oversight of the risk and compliance profile of the Group within the context of the determined risk appetite and in the context of external events and the business plans of the Group.

Each Remuneration Committee is responsible for overseeing the appointment of new directors to the board, and formal, fair and impartial determination of remuneration of executive directors to ensure the long-term success of each operating business within the Group.

Each Investment Committee is responsible for overseeing the implementation Group's overall asset management strategy and policies 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 Banking Committee is responsible for the opening and closure of all master Custodian and Corporate bank accounts. The Committee is responsible for the review and approval of appointments to the authorised signatory list and their levels of authorisation.

The principal risks faced by the Group are operational risk (including amongst others litigation risk, limited recourse risk, outsource risk), taxation risk, market risk, governance, regulatory and compliance risk, and strategic risk, including risks related to the acquisition and integration of other businesses. Being mindful of the CBoI PRISM (Central Bank of Ireland's risk-based framework for the supervision of regulated firms) categories for the regulated entities, other risks faced by the Group include credit risk, market risk, liquidity risk and funding risk.

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

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

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

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

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

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

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

Litigation risk
The Group's business is subject to the risk of litigation by counterparties, policyholders or other third parties through private actions, class actions, regulatory actions, criminal proceedings or other forms of litigation. The outcome of any such litigation, proceedings or actions is difficult to assess or quantify. The cost of defending such litigation, proceedings or actions may be significant. As a result, such litigation, proceedings or actions may adversely affect the Group's business, financial condition, results, operations or reputation. The Group continues to rigorously defend any legal action that has been taken against it and has engaged the necessary legal resources as required.

Outsourcing risk
The Group has implemented a formal outsourcing process which ensures the implementation of appropriate organisational safeguards to monitor the performance of outsourcers and sets reporting obligations for critical outsourced activities.

Strategic risk
Strategic risk covers the inherent risk present in the strategy of the entity. The particular strategic risks faced by the Group at this time surround the dual challenges of managing the existing business whilst seeking to execute transactions to acquire, integrate and manage new acquired life funds. As part of the strategy to grow through acquisition, the Group is exposed to the risk that it does not complete effective due diligence and is then exposed to the financial risks in completing the transaction and managing the business. All acquisitions are subject to detailed due diligence supported by independent professional subject matter experts and are then subject to scrutiny and approved by the Board. In addition the Group is exposed to the risk of failing to integrate and successfully restructure the businesses it has acquired. The process of integration, restructuring and managing the combined businesses, particularly in a small organisation with limited staff numbers, poses particular challenges and is subject to focus at the highest level involving the entire management team.

Taxation risk
Taxation risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risk effectively could lead to additional tax charges. It could also lead to financial penalties for failure to comply with required tax procedures or other aspects of tax law. The Group is subject to the application and interpretation of tax laws in all countries in which it operates and/or it has invested into. Providing sufficient cash flows are available tax liabilities arising from unit-linked investments are, in general, met through a reduction in the related liability to policyholders under investment contracts. The Group has internal tax resources and external tax 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.

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

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

Unit-linked funds
Assets held on behalf of policyholders are subject to market risk, including price and foreign exchange risk, credit risk, liquidity risk and funding risk. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities. The Group's exposure to market risk on unit-linked funds is limited to the extent that income arising from asset management charges in certain funds, and its ability to collect that income, is based on the cash flows arising and the value of the assets in the fund, and to changes in the value of any units in funds the Group may hold. In many funds the asset management charge is based on the higher of premiums paid or fund value, further limiting this risk. The Group's assessment concludes that if markets were to suffer a permanent fall of 10%, the impact on Group fee income would be circa £6m (2018: £4m). The impact to the Group's profit would be less than this due to certain expenses also being variable in nature.

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, and borrowings from credit institutions as well as through the fixed interest securities held in UW. Shareholders' funds are invested in either cash or fixed interest deposits to provide a low level of interest rate risk, and in other investments such as detailed in note 16. A change in interest rates will impact the Group's annual investment income and equity. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of deposits held with credit institutions will fluctuate because of changes in market interest rates.

	2019 £'000	2018 £'000
Increase of 100 bps (2018: 100 bps) in interest rate yields	1,631	2,152
Decrease of 97 bps (2018: 76 bps) in interest rate yields	(1,512)	(1,478)

The downward shift of 100 bps would decrease rates below 0.0% and hence the impact has been floored at 97 bps (2018: 76 bps) being the average effective interest rates for deposits with credit institutions.

The Group's fixed interest securities will also be impacted by any change in interest rates. In the event of a 1% increase in interest rates the Group's debt securities would fall in value by £5,400k (2018: £881k).

A change in interest rates will also impact the Group's annual finance costs. The sensitivity analysis for interest rate risk below illustrates how changes in annual finance costs will fluctuate because of changes in market interest rates.

	2019 £'000	2018 £'000
Movement of 100 bps in borrowing interest rates	1,847	1,272

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 book in UW. 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.

31 Risk management CONTINUED

Currency risk

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

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

As at 31 December 2019, the IFRS equity of the Group's Irish business is circa £250m (2018: £250m), and if the GBP:EUR exchange rate were to increase/decrease by 10%, the estimated change to Group IFRS equity (based on translating the assets and liabilities of the Irish business at the revised exchange rate) would be in the region of £23m (2018: £20m). The actual exposure would likely be less due to a portion of the Irish business assets being denominated in GBP.

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

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

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.

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 Committee, and through the preparation of cash flow forecasts on a monthly basis in order to ensure sufficient assets are in place to meet existing and future obligations.

Maturity analysis
31 December 2019

	Total £'000	Within 1 Year £'000	1–5 years £'000	Over 5 years £'000	Policyholder £'000
Financial investments	27,286,312	212,271	478,448	201,113	26,394,480
Cash and cash equivalents	1,980,342	122,556	–	–	1,857,786
Withholding tax asset	122,432	–	122,432	–	–
Debtors and reinsurers' share of insurance contract liabilities	925,977	916,027	9,950	–	–
Total	30,315,063	1,250,854	610,830	201,113	28,252,266
Other assets	447,282				
Total assets	30,762,345				

31 December 2019

	Total £'000	Within 1 Year £'000	1–5 years £'000	Over 5 years £'000	Policyholder £'000
Insurance contract liabilities	1,538,763	950,002	403,438	185,323	–
Investment contract liabilities	27,982,876	–	–	–	27,982,876
Financial liabilities	490,836	301,709	189,127	–	–
Total	30,012,475	1,251,711	592,565	185,323	27,982,876
Other liabilities	88,011				
Total liabilities	30,100,486				

31 December 2018

	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Financial Investments	22,060,723	16,905	96	32,243	22,011,479
Cash and cash equivalents	1,822,934	143,343	–	–	1,679,591
Withholding tax asset	140,100	–	107,896	32,204	–
Debtors and reinsurers' share of insurance contract liabilities	737,859	729,971	7,888	–	–
Total	24,761,616	890,219	115,880	64,447	23,691,070
Other assets	343,510				
Total assets	25,105,126				

31 December 2018

	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Insurance contract liabilities	824,832	334,317	183,461	307,054	–
Investment contract liabilities	23,519,192	–	–	–	23,519,192
Financial liabilities	283,637	184,932	98,705	–	–
Total	24,627,661	519,249	282,166	307,054	23,519,192
Other liabilities	58,380				
Total liabilities	24,686,041				

Insurance risk
Insurance risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. The Group's contracts include the following sources of insurance risk:

- Mortality – Higher than expected death claims on assurance products;
- Expenses – Policies cost more to administer than expected;
- Lapses – An adverse movement in ether surrender rates or persistency rates on policies with guaranteed benefits leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.
- Claims – Higher than expected claims on short term insurance contracts.

Insurance risk by product
As detailed in note 22, approximately 71% (2018: 84%) 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 block of business is the annuities sold by UW 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 the valuation of the liability.

Of the Group's investment contract with DPF balance of approximately £408m, the most material product class is the deposit administration business written by UW of £365m. As detailed in the insurance contracts accounting policy, the deposit administration business is classified as investment contracts with DPF as UW exercises a degree of discretion on the amount and rate at which eligible surplus is released. In respect of this surplus we note that due to adequate surplus in the funds for future appropriation any potential impacts to equity or profit and loss are immaterial. Impacts on this product are limited to non-unit reserves which reflect fees less expenses and as such this business is not materially sensitive to changes in underlying assumptions.

Objectives and policies for mitigating insurance risk
The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. In addition to this, mortality, longevity and morbidity risks are in certain circumstances mitigated by the use of reinsurance. The profitability of the run-off of the Group's long-term insurance businesses depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks. It is therefore necessary for the Board to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination.

Prior to or at inception, short-term insurance contracts under which the Group accepts significant risk are subjected to an underwriting process. This aims not only to ensure that business is correctly priced, but also to ensure that risk concentrations are identified and exposure limits are not breached. Where necessary, risk is transferred using reinsurance.

31 Risk management CONTINUED

Valuation of insurance contracts
Non-linked, non-profit term assurances are valued using the gross premium method. For unitised with-profit contracts, the number of units allocated to the contract is multiplied by the bid price and then reduced by Market Value Adjustment factors, where appropriate and permissible under policy conditions, in order to give a liability which represents a fair assessment of the surrender value according to the Board's interpretation of policyholder reasonable expectations. Linked contracts are valued individually, with the number of units allocated to the contract being multiplied by the valuation price for the corresponding internal linked fund. Cash flow calculations have been made individually for each linked contract. Positive reserves have been set up, where appropriate, to cover future mortality and/or expense strain. Additional unit reserves exist to cover the cost of future loyalty bonuses on certain products. The overall unit and reserve for each contract is always at least equal to the surrender value, subject to a minimum of zero. Demographic assumptions are derived by adding a prudent margin to best estimate assumptions. They are determined after considering the Group's recent experience and/or relevant industry data. Economic assumptions are prudent estimates of the returns expected to be achieved on the assets backing the liabilities. During the financial year a number of changes were made to assumptions to reflect changes in expected experience. None of the changes had any material impact.

For non-life insurance contracts the Development Method is used where historical claims data is collected by paid and incurred date. This data is used to estimate the percentage or amount of completion needed to project all future claims incurred prior to the valuation date. "Completion factors" are estimated for each incurred month based on historical claim payment patterns. If large claims data is available with paid and incurred dates, the historical patterns may be modified to exclude the effect of these claims. Completion factors for the most recent months are often too volatile to use. Therefore, for the most recent months, completion patterns are reviewed and significant judgement is applied because of the substantial fluctuations in historical completion percentages for these immature months. The IBNR reserve is an assessment of future claims incurred prior to the valuation date and is based on historic triangulated claims data.

Valuation interest rate
The method used to determine valuation interest rates generally follows the regulations set out in Annex IV of the European Communities (Life Assurance) Framework Regulations, 1994. Assets are firstly hypothecated to classes of business being valued. The valuation interest rates for each block of business are based on the expected returns of the hypothecated assets. The yield is then adjusted to make allowance for credit risk, liquidity risk, investment risk and investment management expenses.

Mortality and longevity rates
Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, Company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity.

Lapse rates
The assumed rates for surrender and voluntary premium discontinuance in the participating business depend primarily on the length of time a policy has been in force. Withdrawal rates used in the valuation of unitised with-profit policies are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unitised with-profit contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

Policyholder options and guarantees
Some of the Group's products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholders' discretion. These products are described below. Most unitised with-profit contracts give a guaranteed minimum payment on death. Some with-profit bonds pay a guaranteed minimum surrender value, expressed as a percentage of the original premium, on a specified anniversary or anniversaries of commencement. Annual bonuses, when added to unitised with-profit contracts, usually increase the guaranteed amount.

Discretionary participating bonus rate
The regular bonus rates, which primarily relate to unitised with-profits business within UPE, are determined by the UPE board in accordance with established procedures. Final bonuses are declared by these boards with the aim that payments at maturity or on surrender will equal the value of asset shares subject to smoothing. Unitised with-profit deferred annuities participate in profits only up to the date of retirement.

The UW deposit administration contracts contain a guaranteed rate of interest of up to 2.5% that varies by currency and reflects government bond yields, for a duration of maximum three years. The contracts also contain a DPF based on discretionary bonus rates declared by the Group, to the extent they may exceed the guaranteed rate. The Group targets a surplus funding level of between 5% and 10% and has an obligation to eventually pay to contract holders at least 85% of this surplus.

Managing product risk
The following sections give an assessment of the risks associated with the Group's main life assurance products and the ways in which these risks are managed.

With-profit business (unitised)
The Group operates a number of unitised with-profits funds in which the unitised with-profit policyholders benefit from a discretionary annual bonus (guaranteed once added in most cases) and a discretionary final bonus. The investment strategy of each unitised fund differs, but is broadly to invest in a mixture of fixed and variable rate income securities and equities in such proportions as is appropriate to the investment risk exposure of the fund and its capital resources. The bonuses are designed to distribute to policyholders a fair share of the return on the assets in the with-profit funds together with other elements of the experience of the fund. The shareholders are entitled to receive a percentage of the cost of bonuses declared. Unitised with-profit policies purchase notional units in a unitised with-profit fund. Benefit payments for unitised policies are then dependent on unit prices at the time of a claim, although charges may be applied. A unitised with-profit fund price is guaranteed not to fall and increases in line with any discretionary annual bonus payments over the course of one year.

Protection
These contracts are typically secured by the payment of a regular premium payable for a period of years providing benefits payable on certain events occurring within the period. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness. The main risk associated with this product is the claims experience and this risk is managed through the initial pricing of the policy (based on actuarial principles), the use of reinsurance, geographical diversity of products written and a clear process for administering claims.

Annuity products
The Group has a book of annuity business 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 by 10% has been estimated to increase the provisions by £4.9 million.

Credit risk
Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group has low tolerance for any credit risk exposure and maintains its assets in institutions and instruments with strong credit ratings. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Investment guidelines are subject to approval by the Investment Committee and Board of directors. There are two principal sources of credit risk for the Group: — Credit risk which results from direct investment activities, including investments in fixed and variable rate income securities, derivatives, collective investment schemes, hedge funds and the placing of cash deposits; and — Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance, and the lending of securities. Credit risk is managed by the monitoring of Group exposures to individual counterparties and by appropriate credit risk diversification. The Group manages the level of credit risk it accepts through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives. The credit risk borne by the owners on unitised with-profit policies is dependent on the extent to which the underlying insurance fund is relying on owners' support.

Credit risk concentrations
Concentration of credit risk might exist where the Group has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

Within the responsibilities of the Investment Committee for each business within the Group, an Investment Policy is set to formalise 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 £10 million. Moreover, the minimum acceptable credit rating for all counterparties as set out in the Investment Policy is Standard & Poor's BBB or Moody's Baa. In Ireland, all bonds must be investment grade, and no more than 5% of each rating can be invested in non-government bonds. All risk limits are monitored through the respective Investment Committees to ensure adherence with those limits. In Guernsey the Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to differently rated debt securities. The Investment Committee carries out monitoring of adherence to the guidelines. The Group is also exposed to concentration risk with outsourced service providers. This is due to the nature of the outsourced services market. The Group operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees and measured through stress and scenario testing.

The maximum exposure to credit risk before any credit enhancements at 31 December 2019 and 31 December 2018 is the carrying amount of the financial assets detailed in the maturity analysis table above.

Reinsurance
The Group is exposed to credit risk as a result of insurance risk transfer contracts with reinsurers. This also gives rise to concentration of risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. At both 2019 and 2018 year-end positions, the Group's material reinsurance counterparties have a credit rating of either AA- or A-.

Shareholder backed assets
In respect of the shareholder backed fixed interest securities detailed in note 16, 96.3% of the portfolio is A rated or above, with 3.3% BBB rated and 0.4% non-rated. The ratings are sourced from Bloomberg composite which provides an amalgamation of ratings from S&P, Fitch and DBRS.

These debt securities are invested in government and corporate bonds with 52.0% invested in government bonds and 48.0% invested in corporate bonds.

The Group is not exposed to material credit risk in respect of the shareholder cash balance, cash balances are held with counterparties with a credit rating of BBB or above.

Other receivables
The Group is exposed to credit risk in respect of the Italian withholding tax asset detailed in note 17. The sovereign credit rating of Italy with S&P is BBB as at the date of these consolidated financial statements.

There is no significant credit risk on the other receivables balance of the Group.

Fair value disclosures
Fair value, as defined by IFRS 13 "Fair Value Measurement", is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with IFRS 13, the Group has applied the fair value hierarchy classification to all assets and liabilities measured at fair value. This requires the Group to classify such assets and liabilities according to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments:

- Level 1: Fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.
- Level 3: Includes valuations for assets that are not based on observable market data (unobservable inputs) or where only stale prices are available.

Investments are transferred from Level 1 to Level 2 and vice versa when dealing/pricing frequencies change. Transfers into Level 3 occur when an equity or collective investment scheme is suspended or enters liquidation, as notified by its fund administrator or investment manager. Transfers out of Level 3 occur when such suspension is lifted, as notified by the fund administrator or investment manager. There were no significant transfers between Level 1, 2 and 3 during the current and prior year.

A proportion of the assets are valued at a fair value derived using unobservable Level 3 inputs. The majority of these are valued using valuations obtained from external parties which are reviewed internally to ensure they are appropriate. The Group has limited access to the key assumptions and data underlying these valuations and most of these investments are in hedge funds, collective investment schemes, suspended funds or funds in liquidation; therefore no sensitivity analysis has been presented. The Level 3 assets shown below are primarily unit linked assets backing policyholder liabilities, and as such there is minimal exposure of the Group to changes in the valuation of these assets.

The external valuations for investment properties were prepared by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the location and category of the respective property. A number of properties were not valued at the end of the financial year due to market sensitivity surrounding pending sale or other regarding the properties. All other properties are valued at least once every three years.

Increases in the estimated rental values and passing rents and decreases in vacancy rates would result in an increase of the fair values of the properties. An increase in the yields would results in a fair value decrease. Investment properties are valued on a highest and best use basis.

31 Risk management CONTINUED

31 December 2019

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets				
– Financial assets held at fair value to cover linked liabilities	26,394,480	13,780,018	12,397,285	217,177
– Fixed interest securities – fair value through profit and loss	546,037	545,044	–	993
– Fixed interest securities – fair value through other comprehensive income	277,866	277,866	–	–
– Other investments at fair value	40,300	6,124	34,176	–
– Investment property	6,069	–	–	6,069
	27,264,752	14,609,052	12,431,461	224,239
Total assets not at fair value	3,497,593			
Total assets per Statement of Financial Position	30,762,345			

31 December 2018* restated

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets				
– Financial assets held at fair value to cover linked liabilities	22,011,479	11,561,224	10,211,592	238,663
– Other investments at fair value	32,244	–	32,244	–
– Investment property	4,274	–	–	4,274
	22,047,997	11,561,224	10,243,836	242,937
Total assets not at fair value	3,057,129			
Total assets per Statement of Financial Position	25,105,126			

* The 2018 amounts have been restated to include an analysis of discretionary managed portfolios which could not be analysed into the fair value hierarchy tiers in 2018, to remove the with-profits bonds as explained in note 2, to present cash and cash equivalents held to back linked liabilities within assets not at fair value and to classify the modified coinsurance account as a Level 2 asset within financial assets held at fair value to cover linked liabilities.

Reconciliation of balances in Level 3 of the fair value hierarchy

A reconciliation of the opening to closing balances in Level 3 fair value hierarchy is shown in the table below:

	Financial assets held at fair value through profit and loss £'000	Investment property £'000	Total £'000
Balance at 1 January 2018	107,971	–	107,971
Additions on subsidiary acquisition	244,387	21,225	265,612
Total gains or losses:			
– In policyholder liabilities	(118,213)	(8,864)	(127,077)
Disposals	–	(8,583)	(8,583)
Foreign exchange movements	4,518	496	5,014
Balance at 31 December 2018	238,663	4,274	242,937
Additions on subsidiary acquisition	7,011	–	7,011
Transfers into Level 3	10,258	–	10,258
Transfers out of Level 3	(18)	–	(18)
Total gains or losses:			
– In profit or loss	(16,177)	2,139	(14,038)
– In policyholder liabilities	3,327	–	3,327
Disposals	(12,976)	–	(12,976)
Foreign exchange movements	(11,918)	(344)	(12,262)
Balance at 31 December 2019	218,170	6,069	224,239

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred. The Group aims to minimise undue exposure to Level 3 assets, and regularly reviews the composition of the portfolio including Level 3 assets through the Investment Committee. Restrictions and criteria are in place in Ireland to limit exposure to Level 3 assets, and in the Isle of Man has a general policy of no further investment into Level 3 assets.

32 Capital management

It is the Group's policy to maintain a strong capital base in order to:

– satisfy the requirements of its contract holders, creditors and regulators;
– maintain financial strength to support new business growth and create shareholder value; and
– match the profile of its assets and liabilities, taking account of the risks inherent in the business.

The Group's capital resources and capital requirements are regularly monitored by the Board. The Group's policy is to at all times hold the higher of:

– the Group's internal assessment of the capital required; and
– the capital requirement of the relevant supervisory body.

Full details of the Group's Capital Management Policies are detailed on page 32 of the Annual Report and Accounts. The Group monitors capital on a Solvency II basis, and in accordance with local regulatory requirements. The Group as a whole is not currently subject to overall group regulation by a single regulator.

Entities within the Group which are regulated as at 31 December 2019 are as follows:

– Utmost Limited, Utmost Trustees Solutions Limited and Utmost Administration Limited are regulated by the Isle of Man Financial Services Authority.
– Utmost PanEurope DAC is regulated by the Central Bank of Ireland.
– Utmost Bermuda Limited is regulated by the Bermudian Monetary Authority.
– Utmost Worldwide Limited is regulated by the Guernsey Financial Services Commission.

The local branches of Utmost Worldwide Limited are subject to local regulation in the country in which they operate.

There has been no material change in the Group's management of capital during the year and the Group has capital in excess of the minimum solvency requirement at the Statement of Financial Position date.

At the time of signing, in light of the ongoing Covid-19 pandemic, the CBoI has advised that Irish banks and insurance companies should not pay dividends. This dividend block, which only impacts UPE in the Utmost International group, is expected to be temporary and management are in ongoing discussions with the CBoI to monitor the situation. UPE's solvency coverage ratio at 2019 year-end was 190%, and solvency coverage has increased since the year-end, with the most recent calculation of solvency showing 200% coverage. Liquidity is monitored at the level of each operating company and within the holding companies, and management do not deem this industry-wide measure to adversely impact UPE directly or the Group as a whole.

33 Financial commitments

The Group had the following property leases in place at 1 January 2019:

– a 21-year lease expiring 13 September 2020. This lease covers office space at Royalty House, Walpole Avenue, Douglas.
– a 10-year lease expiring 1 June 2028. This lease covers office space at Ashford House, Tara Street, Dublin 2, Ireland.
– a 10-year lease expiring 27 September 2028, with an optional break clause on 27 September 2023. The lease covers office space in Saddlers House in London, where the Group's head office is based. The lease had a rent-free period of nine months, and as such started paying rent with effect from 27 June 2019.
– a 20-year lease expiring 23 August 2031. This lease covers office space at Utmost House, Navan Business Park, Navan, Ireland.

The future minimum lease payments under non-cancellable operating leases are as follows (2019: nil as following the adoption of IFRS 16 on 1 January 2019 leases are accounted for as a right of use asset and a lease liability):

	2019 £'000	2018 £'000
Not later than one year	–	1,623
Later than one year and no later than five years	–	6,815
Later than five years	–	8,006
	–	16,444

34 Contingent liability
A subsidiary, Utmost Limited, is a member of the Isle of Man Policyholders' Compensation Scheme governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the Scheme is to provide a compensation scheme for policyholders should an authorised insurer be unable to satisfy its liabilities. In the event of a levy being charged on Scheme members the Group would be obliged to satisfy the liability arising at that time. The maximum levy payable under the Scheme in respect of the insolvency of any insurer is 2% of the long-term business liabilities. The majority of the products issued by the Group include a clause permitting the Group to recover any monies paid out under the Scheme from policyholders.

The Group does not offer investment advice to its policyholders. All investment decisions are made either by the policyholders directly or by advisors appointed by the policyholders, and all of the investment performance risk lies with policyholders. Nevertheless, occasionally policyholders may seek to take action against the Group when the investments selected by either themselves or their advisers do not perform to their expectations. At both 31 December 2019 and 2018 there are no outstanding claims against the Group; however it is possible that future claims could be made against past investment performance. If such claims were made and substantiated, it is possible that an adverse resolution could have a material impact on the Group's financial statements.

The Group continually undertakes reviews of its tax and regulatory activities across the various jurisdictions in which it has invested into.

35 Immediate parent and ultimate controlling party
The immediate parent company is Life Company Consolidation Group (No 2) 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 LCCG2 Holdings Ltd., a Cayman Island incorporated entity. OCM LCCG2 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.

The financial statements of Utmost International Group Holdings Ltd. are available from www.utmostgroup.co.uk.

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	Termination benefits £'000	Total £'000
2019	**6,305**	**214**	**–**	**6,519**
2018	2,618	105	279	3,002

Transactions with related parties
During the year the Company issued £97,724k of shares to its immediate parent company Life Company Consolidation Group (No 2) Limited. Further details of this share issuance are detailed in note 28. The Company also made capital contributions to its direct subsidiaries UIG Holdings (No 5) Ltd. and UIG Holdings (No 2) Ltd. of £55,000k and £42,772k (€50,057k) respectively.

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

The Company acquired UIG Holdings (No 2) Ltd. on 13 June 2018 and resulted in a gain on acquisition of the related party of £19,248k recognised in the Statement of Comprehensive Income.

37 Directors' and Secretary's interests
At 31 December 2019 and 31 December 2018 the Secretary had no beneficial interests in the shares of any Group company. The directors' interests in the Company and its parent company are detailed below:

31 December 2019

	Paul Thompson	Ian Maidens
Life Company Consolidation Group (No 2) Limited – A ordinary shares	746	746
Life Company Consolidation Group (No 2) Limited – B ordinary shares	8,125	8,125
Utmost International Group Holdings Ltd. – Non-voting GBP preference shares	1,160,803	1,160,803
Utmost International Group Holdings Ltd. – Non-voting EUR preference shares	1,543,804	1,543,804
Utmost International Group Holdings Ltd. – Non-voting S shares	50	50

31 December 2018

	Paul Thompson	Ian Maidens
Life Company Consolidation Group (No 2) Limited – A ordinary shares	639	639
Life Company Consolidation Group (No 2) Limited – B ordinary shares	7,500	7,500
Utmost International Group Holdings Ltd. – Non-voting GBP preference shares	742,561	742,561
Utmost International Group Holdings Ltd. – Non-voting EUR preference shares	1,128,450	1,128,450
Utmost International Group Holdings Ltd. – Non-voting S shares	50	50

38 Reconciliation of liabilities arising from financing activities

	Total £'000
2019	
As at 1 January	**123,718**
Cash flows:	
Borrowings drawn down in the year	**305,571**
Repayments made in the year	**(223,244)**
Change in amortisation	**(1,204)**
Change in interest accrual	**12**
Foreign exchange adjustments	**(5,664)**
As at 31 December	**199,189**
2018	
As at 1 January	73,152
Cash flows:	
Borrowings drawn down in the year	85,493
Repayments made in the year	(37,000)
Change in amortisation	867
Change in interest accrual	(385)
Foreign exchange adjustments	1,591
As at 31 December	123,718

The cash flows presented in the reconciliation above agree to the movement from prior year in the bank loan principal balance detailed in note 25. These cash flow balances do not include any arrangement fees paid in the year.

39 Events after the year end date

In the period since the year end the Covid-19 virus has spread to pandemic levels globally. At the date the financial statements were approved the impacts both globally and nationally were unclear, however it appears almost inevitable that there will be a period of economic recession and significant market uncertainty.

Management are monitoring the situation and considering the following:

- 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 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.

Given the high degree of uncertainty it is not possible to make accurate predictions of the potential impact of the pandemic. However a significant prolonged fall in markets will result in a material drop in the Group's fund-based fees, and continued period of historically low interest rates will see a decrease in the Group's interest income from its cash and deposits.

At the date the financial statements were approved new business levels in the first quarter of 2020 have performed well, and surrender levels remain in line with expectations pre-Covid-19. At the date the financial statements were approved the Company's and Group's solvency and liquidity positions remain strong. The directors and management are continually monitoring the potential impacts on the Group, including its key financial metrics including the solvency coverage ratio.

Company Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Investment income			
Change in fair value of subsidiaries	3	**259,491**	130,632
Dividends received	4	**–**	4,000
		259,491	134,632
Expenses			
Administrative expenses	5	**(12)**	(4)
Foreign exchange gain		**17**	–
Profit for the year before interest and tax		**259,496**	134,628
Tax credit/(charge)	6	**–**	–
Profit for the year after interest and tax		**259,496**	134,628

Income and expenses for the year derive wholly from continuing operations. The notes on pages 100 and 101 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 60 to 67. The notes identified on pages 100 and 101 are an integral part of these separate financial statements.

Company Statement of Financial Position

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Investment in subsidiary undertakings	3	**898,699**	541,436
Cash and cash equivalents		**28**	26
Other assets		–	50
TOTAL ASSETS		**898,727**	541,512
Liabilities			
Other payables		–	4
Total liabilities		–	4
Equity			
Called up share capital presented as equity	7	**95**	95
Share premium	7	**383,221**	285,498
Retained earnings		**515,411**	255,915
Total equity		**898,727**	541,508
TOTAL EQUITY AND LIABILITIES		**898,727**	541,512

The notes on pages 100 and 101 form an integral part of these financial statements.

The financial statements on pages 96 to 101 were approved and authorised for issue by the Board of directors on 16 June 2020 and signed on its behalf by:

Paul Thompson
Director
16 June 2020

Ian Maidens
Director
16 June 2020

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital presented as equity £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2018	95	118,900	121,287	240,282
Profit and total comprehensive income for the year	–	–	134,628	134,628
Shares issued during the year	–	166,598	–	166,598
Balance as at 31 December 2018	95	285,498	255,915	541,508
Profit and total comprehensive income for the year	**–**	**–**	**259,496**	**259,496**
Shares issued during the year	**–**	**97,723**	**–**	**97,723**
Balance as at 31 December 2019	**95**	**383,221**	**515,411**	**898,727**

The notes on pages 100 and 101 form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Net cash flows from operating activities	8	**51**	–
Cash flows from investing activities			
Capital contributions to subsidiaries		**(97,772)**	(3,100)
Loan to related party		**–**	(50)
Net cash used in investing activities		**(97,772)**	(3,150)
Cash flows from financing activities			
Issue of shares		**97,723**	3,100
Net cash flows from financing activities		**97,723**	3,100
Net increase/(decrease) in cash and cash equivalents		**2**	(50)
Cash and cash equivalents at the beginning of the year		**26**	76
Cash and cash equivalents at the end of the year		**28**	26

The notes on pages 100 and 101 form an integral part of these financial statements.

Notes to the Company Financial Statements
For the year ended 31 December 2019

1 Significant Accounting Policies
Where applicable, the accounting policies of the Company are the same as those of the Group on pages 60 to 67. The notes identified on pages 100 and 101 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 or liability. Unobservable inputs may 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.

3 Investment in subsidiary undertakings

	2019 £'000	2018 £'000
Cost		
At 1 January	286,608	116,010
Acquisitions and capital contributions during the year	97,772	170,598
At 31 December	384,380	286,608
Revaluation		
At 1 January	254,828	124,196
Movement in fair value	259,491	130,632
At 31 December	514,319	254,828
Fair value at 31 December	898,699	541,436

The fair value approach applied by the Company is to measure the "economic value" of the underlying subsidiaries 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 (2018: 3%) in calculating the risk margin, to more appropriately reflect management's view of economic value. The impact on the fair value of investment in subsidiaries of a 1% change in the cost of capital would be £30,359k (2018: £25,971k). A further component of economic value relates to the VIF outside the contract boundary, the point which determines which cashflows should be included for calculating Solvency II capital. As at 31 December 2019, the value of VIF outside the contract boundary is £86,035k (2018: £37,569k) with the increase driven by the acquisition of Utmost Worldwide Limited in the year. Fair value gains of £259,491k are recognised in the Statement of Comprehensive Income in the year ended 31 December 2019 (2018: gains £130,632k) in respect of remeasuring the Company's investment in subsidiaries at fair value. There were no transfers between Levels 1, 2 and 3 in 2019 and 2018. The fair value of the investments in subsidiaries undertakings balance is Level 3 in the fair value hierarchy. The investment in subsidiaries is calculated after deduction of a £20,000k (2018: £20,000k) Tier 2 intra-group loan between Utmost Limited and Utmost PanEurope DAC, which qualifies as eligible Solvency II capital for Utmost PanEurope DAC; this deduction is necessary to avoid double counting this loan balance.

The fair value of investment in subsidiaries is calculated in accordance with the internal definition of SII EV as disclosed on page 103 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, and also to include capitalised arrangement fees on the bank facilities which are included for IFRS reporting but excluded from our internal view of SII EV.

4 Dividends received
During the year the Company did not receive a dividend from its subsidiaries (2018: £4,000k from UIG Holdings (No 5) Ltd.). The dividend in prior year was paid directly to UHIL to fund the acquisition of UPE, and accordingly this is recognised as a "non-cash transaction" under IAS 7 "Statement of Cash Flows" and not shown on the prior year Company's Statement of Cash Flows.

5 Administrative expenses
Administrative expenses of the Company of £12k relate primarily to professional fees and audit fees (2018: £4k relating to audit fees). The audit fees in respect of the Group are detailed in note 7 to the consolidated financial statements.

6 Taxation

	2019 £'000	2018 £'000
Current taxation	–	–

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

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	259,496	134,628
Tax at the Guernsey rate of 0% (2018: 0%)	–	–
Tax charge for the year	–	–

7 Called up share capital presented as equity/share premium

The share capital and share premium of the Company are the same as those of the Group in note 28 in the notes to the consolidated financial statements.

8 Cash flow statement

	2019 £'000	2018 £'000
Profit before taxation	259,496	134,628
Non-cash movements		
Dividend income	–	(4,000)
Change in working capital		
Net change in fair value of subsidiaries	(259,491)	(130,632)
Change in other working capital items	46	4
Net cash flows generated from operating activities	51	–

It is noted that in respect of the acquisition of UIG Holdings (No 2) Ltd. on 13 June 2018, the acquisition and capital contribution of £170,598k and the issuance of shares of £166,598k were not actually transferred in cash by the Company; these amounts represent "non-cash transactions" as they were netted off other cash flows and paid directly to UHIL in order to fund the acquisition of UPE, and in accordance with IAS 7 "Statement of Cash Flows" are not presented on the Statement of Cash Flows.

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. The Company did not receive any dividends from its subsidiaries in the year (2018: £4,000k).

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.

Alternative Performance Measures

Within the Annual Report various alternative performance measures ("APMs") are used in order to analyse the performance of the Group over the reporting period. APMs represent performance indicators/metrics which are not directly shown in the financial statements prepared in accordance with the applicable financial reporting framework (International Financial Reporting Standards as adopted by the EU – "IFRSs" – for the Group for the year ended 31 December 2019), but are derived from the financial statements usually by including or excluding certain items. APMs are considered to provide a more relevant and informative measure for stakeholders in assessing the performance of the Group. The APMs presented in these financial statements may change over time as management deem necessary in order to appropriately monitor and report the Group's performance.

The following section includes a definition of each APM and additional information to enable the stakeholders to understand how the APM differs from, and where possible reconciles to, information presented in the IFRS Financial Statements.

Assets under Administration ("AUA")

The Group's definition of AUA includes assets administered by the Group on behalf of clients. AUA provides a measure of the scale of the Group, and a sense of the Group's potential earnings capability through the annual management charges ("AMCs") which are partly calculated as a percentage of the value of assets under administration. The Group's AUA primarily includes assets held to cover linked liabilities, in addition to reinsurance assets held to back policyholder liabilities; the former includes assets held under the Modified Coinsurance Account (as detailed in note 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 Statement of Financial Position is as follows:

	2019 £'m	2018 £'m
AUA	**29,418**	24,343
Financial assets at fair value held to cover linked liabilities	**26,394**	22,011
Policyholder cash in 'Cash and Cash Equivalents' line	**1,858**	1,680
Reinsurers' share of insurance contract liabilities	**801**	652
Other investments backing deposit administration business	**365**	–
Total (as per Statement of Financial Position)	**29,418**	24,343

The £29.4bn AUA at end 2019 compares favourably to the 2018 year-end figure of £24.3bn (£28.0bn AUA in 2018 on a pro forma basis to allow for the acquisition of UW). The £1.4bn increase to the 2018 pro forma figure represents investment returns made by the Group partially offset by foreign exchange movements, albeit largely attributable to customers of unit-linked products (approximately 98% of the AUA represent assets backing unit-linked liabilities) and accordingly this investment return is matched by an increase in the unit-linked liability.

Operating profit

The Group's internal definition of operating profit is considered by management to provide a better view of the Group's underlying quality of earnings compared to the IFRS profit before interest and tax (PBIT) figure. The items excluded from operating profit, but included in IFRS PBIT, are generally related to merger and acquisition (M+A) activity and considered to be more strategic in nature than representing the underlying operating performance of the businesses. These items include the following:

Gains on bargain purchases/related party acquisition:
A gain on bargain purchase is recognised when the fair value of the acquired assets and liabilities exceeds the consideration paid in the business combination, representing 'negative goodwill' which is credited directly to the Statement of Comprehensive Income. These gains represent one-off benefits to IFRS PBIT, and as such the Group looks to exclude these from operating profit to provide a better view of underlying performance.

Amortisation, depreciation and impairments/write-offs:
Operating profit also excludes the amortisation charge and any impairments relating to acquired value of in-force business (AVIF), which are not considered part of underlying operating performance, and depreciation of tangible assets.

Expenses incurred relating to M+A activity:
Certain expenses are incurred directly in relation to the acquisition activity, including inter alia due diligence fees and associated professional fees, and taxes associated with M+A activity (stamp duty, for example).

Non-recurring items:
Non-recurring items relate to provisions or assumption changes which are not expected to recur in future periods, and as such are excluded from operating profit to provide a more reflective view of quality of earnings. The figure in 2019 primarily includes £17m (2018: £nil) in respect of reserving assumption changes in UPE.

A reconciliation between the Group's operating profit and IFRS PBIT for 2019 and 2018 is shown below:

	2019 £'m	2018 £'m
IFRS PBIT	173	71[1]
Gain on bargain purchases/related party acquisition	(185)	(102)
Amortisation of AVIF & depreciation	60	31
Write-off of intangible assets on acquisition of UPE	–	10
Expenses related to M+A activity	6	21[2]
Non-recurring items	19	–
Group Operating Profit	73	31

1 as per Statement of Comprehensive Income.
2 figure included within administrative expenses.

New Business Annual Premium Equivalent ("APE")
APE represents an industry-recognised sales metric used to allow comparisons of new business written over the year. Management monitor APE on a monthly basis across each business to align with the strategic pillar of growing the business organically in addition to by acquisition. The Group calculates APE in line with industry norm, which is as the value of regular premiums written in the year plus 10% of any new single premiums written. Whilst this metric is not directly reconcilable to the IFRS financial statements (as the split between single premiums and regular premiums is not shown) the majority of the Group's single premiums are written as investment contracts through the Utmost Wealth Solutions brand, and most of the regular premiums are written as insurance contracts through the Utmost Corporate Solutions brand.

Value of New Business ("VNB")
Whereas APE provides a view of how much new business is written in the year, VNB provides a view of the profitability of new business to the Group. Management monitor the VNB margin (defined as VNB expressed as a percentage of APE) on a monthly basis across each business. VNB is calculated as the present value of future income streams arising from new business written in the year, after deducting costs associated with writing this new business. VNB is not directly reconcilable to any of the IFRS metrics presented in the financial statements, given it provides a view of the profitability of new business from an actuarial view as opposed to an accounting view.

Solvency II Economic Value ("SII EV")
Whilst AUA provides a view of the scale of the business, SII EV provides an overall view of the underlying value of the Group attributable to shareholders. SII EV is considered by management to better reflect the commercial value of the Group than IFRS equity, as the latter excludes components of value such as the present value of future earnings arising from in-force business. SII EV represents a metric which better aligns with the traditional Embedded Value reporting which preceded the Solvency II regulations which became effective on 1 January 2016.

The Group's SII EV is calculated by adding the economic value of its insurance companies and its non-insurance companies. The Group's internal metric to calculate the value of its insurance companies is calculated as follows:

Solvency II Own Funds
plus Risk Margin
plus Value of In-force business outside Contract Boundaries
plus Foreseeable dividends
less Transitional Measures on Technical Provisions
less Intra-group balances which qualify as Tier 2 capital in the receiving entity.

The Group calculates the value of its non-insurance companies on an IFRS net asset value basis. Solvency II Own Funds is shown net of external debt. Other components of value are considered based on circumstances, to ensure that solvency capital on a regulatory basis is adjusted to a view of economic capital.

The Group's SII EV as at 31 December 2019 is £988m (2018: £614m). This APM can be reconciled to IFRS information as follows:

	2019 £'m	2018 £'m
UIGH fair value of investment in subsidiary undertakings as per Company Statement of Financial Position on page 97	899	541
Risk Margin add back	94	77
Capitalised arrangement fees	(5)	(4)
SII EV	988	614

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 International Group Holdings Ltd.

Company (the)
Utmost International Group Holdings Ltd.

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 International Group Holdings Ltd and its direct and indirect subsidiaries as detailed in note 4 to the consolidated financial statements

GW
Generali Worldwide Insurance Company Limited (former name of Utmost Worldwide Limited)

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

LCCG
Life Company Consolidation Group (former name of the Utmost Group of Companies)

LCCG2
Life Company Consolidation Group (No 2) Ltd, the immediate parent company of Utmost International Group Holdings Ltd.

MCR
Minimum Capital Requirement

MNCs
Multi-National Corporations

NAV
Net Asset Value

Net Solvency Coverage Ratio
Whilst there is no single Group regulator, solvency coverage is calculated and monitored at the Group level as Solvency II Own Funds/Solvency Capital Requirement

Oaktree
Oaktree Capital Group LLC, deemed the ultimate significant controller of the Utmost Group of Companies

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

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

UCS
Utmost Corporate Solutions

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)

UIGH
Utmost International Group Holdings Ltd.

UIG2
UIG Holdings (No 2) Ltd., a direct subsidiary of the Company

UIG5
UIG Holdings (No 5) Ltd., a direct subsidiary of the Company

UL
Utmost Limited

UPE
Utmost PanEurope DAC

USIL
Utmost Services Ireland Limited

Utmost International
Utmost International Group Holdings Ltd. and its direct and indirect subsidiaries as detailed in note 4 of the consolidated financial statements

Utmost Ireland
The Group of companies comprising Utmost Holdings Ireland Limited and its subsidiaries

Utmost Isle of Man
Utmost Holdings Isle of Man Limited and all its subsidiaries, including Utmost Limited and Utmost Services Limited

UW
Utmost Worldwide Limited (formerly Generali Worldwide Insurance Company Limited)

UWS
Utmost Wealth Solutions

VIF
Value of In-Force

VNB
Value of New Business

Company information

Directors
Paul Thompson
Ian Maidens
Christopher Boehringer
Harry Smith (resigned 20 March 2020)

Secretary
C. L. Secretaries Limited

Registered Office
Utmost House
Hirzel Street
St Peter Port
Guernsey
GY1 4PA

Registered in Guernsey
Company Number
61518

Independent Auditor
PricewaterhouseCoopers LLC
Sixty Circular Road
Douglas
Isle of Man
IM1 1SA

Principal Bankers
The Royal Bank of Scotland International Limited
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

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 Utmost International, 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 manmade catastrophic events (including the impact of Covid-19).

Utmost International 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 2019 Annual Report and Accounts is or should be construed as a profit forecast or estimate.

FSC® www.fsc.org MIX Paper from responsible sources FSC® C016486

This Report is printed on materials which are FSC® certified from well managed forests.

These materials contain ECF (Elemental Chlorine Free) pulp and are 100% recyclable.

Designed by Gather
+44 (0)20 7610 6140
www.gather.london

Image credits:
Page 6: AXA building, Douglas, Isle of Man © Colin Park (cc-by-sa/2.0)
Page 6: Assicurazioni Generali building, Trieste, Italy © Adiel lo (cc-by-sa/3.0)

utmost™
INTERNATIONAL