Utmost Holdings Ireland Limited

Directors' report and consolidated financial statements

for the financial year ended 31 December 2020

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Utmost Holdings Ireland Limited

Contents

General information

Directors	William Finn (Independent Non-executive) Paul Gillett (Executive, British) Andrew Milton (Independent Non-executive, British) Tim Madigan (Independent Non-executive) Henry O'Sullivan (Executive) Paul Thompson (Non-executive, British) Ian Maidens (Non-executive, British) Mr Michael (Mike) Davies (British) was appointed as an Independent Non-Executive Director effective 29 January 2021.
Secretary	Mr Damien Mulholland, Ashford House, Tara Street, Dublin 2 Ireland
Independent Auditors and Statutory Audit Firm	PricewaterhouseCoopers One Spencer Dock North Wall Quay, Dublin 1
Principal bankers	Danske Bank 3 Harbourmaster Place IFSC Dublin 1
Legal advisors	Matheson 70 Sir John Rogerson's Quay Grand Canal Dock Dublin 2
Registered office	Ashford House 18-23 Tara Street Dublin 2
Registered number	Registered in Ireland Number 529604

Directors' report
for the financial year ended 31 December 2020

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

Principal business activities

Utmost Holdings Ireland Limited ('the Company' or 'UHIL'), is a wholly owned subsidiary of UIG Holdings (No 1) Limited ('UIG'), a UK incorporated company specialising in the acquisition of life assurance businesses. Its principal business is that of a holding company. The consolidated accounts of UHIL include all subsidiaries listed in note 2 ('the Group').

Business review and Future Developments

The Consolidated Statement of Comprehensive Income for the financial year and the Consolidated Statement of Financial Position as at 31 December 2020 are set out on pages 16 and 17. Group loss attributable to shareholders for the financial year to 31 December 2020 amounted to €20.9m (2019: Loss €24.1m).

Assets under administration ('AUA') by the Group grew from €17.7bn in 2019 to €17.8bn by 31 December 2020.

Value of new business ('VNB') represents a measure of the economic value of the profits expected to emerge from new business. VNB in 2020 was €22.7m compared to €22.3m in 2019.

Solvency II economic Value ('SII EV') moved from €538.3m in 2019 to €488.3m in 2020. SII EV represents the group view of the aggregate value of the business and is calculated by adding the SII EV of the insurance entities within the Group and the net assets of the non- insurance entities within the Group.

On 31 March 2020 the Directors of Harcourt Life Corporation DAC ('HLC'), Utmost Ireland Ltd ('UI') and HLI Danube Limited ('HLI') signed Common Draft Terms of Merger with regard to a proposed merger by acquisition within the meaning of Section 463 (1) of the Companies Act 2014 using the Summary Approval Procedure set out in Section 202 of the Companies Act 2014.

On 30 April 2020 Special Resolutions were passed by Utmost PanEurope DAC pursuant to Section 202 (1) (a) (i) upon the passing of which Utmost Ireland Ltd and HLI Danube Ltd were dissolved by merger without going into liquidation.

On 1 October 2020, there was a group restructure of the wider Utmost Group of Companies which resulted in Utmost International and UK businesses becoming part of the same group structure under Utmost Topco Limited (formerly named Life Company Consolidation Group (No 2) Limited).

The Central Bank of Ireland regulates Utmost PanEurope dac on a 'solo' basis and Utmost Holdings Ireland Limited on a 'group' basis but following the group restructure, the group is regulated by the Prudential Regulation Authority (PRA) at the level of Utmost Group Limited.

In order create more efficient capital structure for the Company and to increase the reserves available for future distribution the Board of the Company resolved on 1 December 2020 to recommend to the shareholder that the Company undertake a Capital Reduction pursuant to Section 84 of the Companies Act 2014 in the amount of €187,662,151 by employing the Summary Approval Procedure set out in section 202 of the Companies Act 2014.

The declaration of the directors required by Section 204 of the Companies Act 2014 was signed on the same date and on 31 December 2020 on the passing of a Special Resolution by the shareholder the Capital Reduction became effective, further details are contained in the Statement of Changes in Equity on page 18.

Principal risks and uncertainties

The Covid-19 global pandemic pandemic has resulted in macroeconomic uncertainty and challenges during 2020 and into 2021. The pandemic has resulted in a large impact on Europe as well as globally with daily increases in deaths from the virus, volatility in financial markets and changes in Government policy that has resulted in changes in the working environment for most people and organisations. Challenges with the supply and rollout of the vaccine program as well as new strains of the virus has continued into 2021, however Ireland has implemented one of the strictest lockdown measures in the developed world. The vaccine rollout has commenced targeting the most vulnerable age groups first with a projection of all over the age of forty being vaccinated by July 2021.

The Group withstood the adverse market conditions it was exposed to in quarter one 2020. The Group absorbed the lower fee income resulting from this as markets recovered over the year with the liquidity and solvency coverage ratio of UPE comfortably in excess of its benchmarks. The Group is resilient and well placed to weather the impacts of Covid-19 especially as the global vaccine programme continues to be rolled out and Ireland and other countries implement measures for society to return to a more normal way of life as government lockdown restrictions ease.

The Group acknowledge that careful and considered assessment of business performance coupled with active management and monitoring liquidity, counterparties and solvency coverage is key. This requires active and on-going management by the business and control functions.

The Group remains very well capitalised with significant solvency coverage and the shareholder assets are of a high quality. The Group has no concerns in terms of its ability to continue to pay liabilities as they fall due and has high level of quality liquid assets.

The Group actively manages its risk profile through a process of risk management, which is embedded through a framework of policies, procedures, and internal controls. Compliance with regulation, legal and ethical standards is a high priority for the Group. The principal risks faced by the Group are operational risk, Integration risk, taxation risk, strategic risk, governance and regulatory compliance risk, market risk, insurance risk and outsourcing risk.

In addition, the Group faces risks arising from its business plan in seeking to identify and execute acquisition opportunities. Such activity exposes the Group to additional transactional risks around a failure of due diligence and operational risks around the business architecture of the Group (and how it manages the integration and restructuring) and management stretch. Information and exposure on the main risks and uncertainties that the Group faces and how these are managed is outlined in note 27 to the financial statements.

Going Concern

The directors have a reasonable expectation that the Company and Group will continue in operational existence for twelve months from the date of approval of the financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis.In making this assessment, the directors considered the following key areas;

- Solvency
- Liquidity & Cash flow Management
- Asset Quality
- Counterparty Exposure
- Insurance & Mortality Risk

In addition, other impacts such as mortality risks and the potential for reinsurers in not honouring their financial or operational commitments have also been considered.

The Group is paying close attention to its solvency positions in this time of uncertainty. Through all periods of 2020 and into 2021 the Group has been within the risk appetite of the Group as defined in the Board approved Capital Policy.

Liquidity is a critical consideration in these times of uncertainty. The great majority of invested assets held are highly liquid.

The Directors have considered the appropriateness of the going concern basis used in the preparation of these financial statements, having regard to the ability of the Company and Group to be able to meet its liabilities as and when they fall due, and the adequacy of available assets to meet liabilities.

On the basis of the above, the directors have concluded that the Company and Group have no material uncertainties which would cast a significant doubt on the company's ability to continue as a going concern over the period of assessment.

We refer to note 1 in the financial statements.

Dividend

The Directors do not recommend payment of a dividend in respect of financial year ended 31 December 2020. (2019: €nil)

Political and Charitable Donations

The Group did not make any political donations during the financial year (2019: €nil).

Corporate Governance

For the financial year ended 31 December 2020, UPE was subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015 ('the Code'). In February 2020, HLI and UI were de-regulated following approval from the Central Bank of Ireland. In April 2020 UPE submitted an annual compliance statement to the CBI under Section 26 of the Corporate Governance Code for Insurance Undertakings.
Utmost Bermuda Limited (previously 'Altraplan Bermuda Limited'), is regulated by the Bermuda Monetary Authority.

The Board of Directors in seeking to apply best practice in Corporate Governance periodically establishes committees to help it discharge its responsibilities in respect of the regulated entities. The Directors are satisfied that there is sufficient oversight of the Group's activities through the establishment of audit committees and other board sub-committees by its principal subsidiary undertakings, such that committees are not also required at the UHIL level.

The governance structure adopted by the principal regulated subsidiary undertaking (UPE) is as follows:

Audit Committees:

Under its terms of reference, the Audit Committees monitor the integrity of the entities financial statements, the independence of the external auditor and the effectiveness of the system of internal controls, reviewing the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems and thereby maintains an effective overall system of internal control (in overseeing these matters, the Committees shall have regard to the activities of the Risk and Compliance Committees). Another key objective of the committees is monitoring the activities of Internal Audit and receiving regular reports regarding their activities and recommendations.

Banking Committees:

Banking Committees were established for the regulated entities to ensure that regular administrative matters can be dealt with by the directors without recourse to the Board.

Investment Committees:

The Investment Committees were 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.

Risk Management:

The Group has a defined structure and process to assist in the identification, assessment and management of risk. This structure is supported by three pillars; the Risk Management Department, the Risk Advisory Committee and the Risk and Compliance Committees. These structures have been in place throughout the year to which these statements apply and up to the date of their approval.

The Risk Management Department, an independent control function, continues to enhance the organisation's risk framework and monitors compliance with the requirements of Solvency II – Pillar II. The Risk Management Department continues to develop and drive key risk policy as well as continuously monitoring the "risk profile" of the organisation. The Chief Risk Officer continues to have direct and unfettered access to the Boards.

The Risk Advisory Committee continues to monitor and assess risk at a senior executive level within the organisation. Meeting at least quarterly, it reviews the Company's key risks, contained in risk registers, and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. This Committee also reviews and communicates policy matters, as advised by the Risk Management Department, to those responsible for managing risks.

The Risk and Compliance Committees are Board Committees and their primary role is to assist the Boards in their management of risk and to review the effectiveness of the Risk Management activities of the respective companies. The Committees meets at least quarterly and during 2020 they provided an oversight and approval role in relation to risk identification and evaluation, risk management and risk reporting. This was facilitated through formal reporting from the Chief Risk Officer. The Risk and Compliance Committees performed their activities in line with its terms of reference during 2020.

The main risks the Company is exposed to are identified and classified in the Risk Map, approved by the Board of Directors, and reviewed at least once a year in order to ensure its adequacy and completeness. The main risks and how they are managed are outlined below:

Financial Risks:

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The insurance companies complete a regular asset liability matching analysis to ensure that their assets are matched to their liabilities by line of business and duration. In relation to their unit-linked business the insurance companies primarily adopt a matched position between their policyholder liabilities and the assets that they hold in respect of these liabilities. Nevertheless, there remains financial risk in the form of interest rate risk, equity price risk, currency risk and credit risk as outlined below:

Interest rate risk – The Group holds shareholder assets in the form of cash and interest bearing securities and, as such, is exposed to interest rate risk. The Group manages its interest rate risk by regular assessments and monitoring of its investments by the Investment Committees. The Group is exposed to interest rate risk to the extent that adverse interest rate movements impact the value of Unit Linked Assets and therefore the management fee income.

Equity price risk – The Group is exposed to equity price risk to the extent that adverse movements in the value of Unit Linked Assets would reduce the future profitability of the Group through a reduction in management fee income.

Currency risk –The Group generally invests in assets denominated in the same currencies as its policyholders' liabilities, which mitigates the foreign currency exchange rate risk. The Group is exposed to currency risk to the extent that adverse movements in the value of Unit Linked Assets would reduce the future profitability of the Group through a reduction in management fee income. The Company also has exposure to currency risk in relation to a GBP loan with UIG1.

Credit risk – The key areas where the Group is exposed to credit risk are corporate bonds, government bonds, EU supranational bonds, bank deposits, Fund Investments, Money Market Funds, the Italian withholding tax asset, the reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid, amounts due from insurance intermediaries and counterparty risk with respect to derivative transactions.

Counterparty risk – The Group is exposed to counterparty default risk arising from investments with Counterparties and also the holding of an Italian Withholding Tax Asset. Management ensures that it has diversified and managed investments, and actively monitors its counterparty risks on a monthly basis with quarterly updates provided to the Risk and Compliance Committee.
The Group places limits on its exposure by counterparty, by geographical location and by credit rating. Reinsurance is used to manage insurance risk. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength.

Insurance Risks:

The Group is exposed to life underwriting insurance risk deriving from the Group's core business activities. The Group mitigates this risk primarily through the use of reinsurance agreements both with third party reinsurers. The Board completes a review of the Statement of Reinsurance Strategy on an annual basis or more frequently if there are material business or regulatory changes that require assessment.

Operational Risks:

The Group is exposed to operational risk deriving from the Group's core business activities which are either managed internally or through group and non-group outsourced service providers. The Group mitigates this risk through the implementation of the internal control and risk management system framework, whose design and structure operates to ensure that business activity complies with the laws and regulations in force and that Group processes are efficient and effective and that accounting and management information is reliable and complete. 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.

Lapse Risk:

The Group closely monitors lapse experience against assumptions and does not have an appetite for increases in lapse rates. The Group monitors lapse rates due to regulatory or fiscal change.

Other Risks:

Liquidity risk – refers to the risk that the Group will not be able to meet both expected and unexpected cash flow requirements efficiently. All assets must be redeemable within approved periods. The Group manages liquidity risks through the monitoring of local liquidity ratios and limits.

Reputational Risk - refers to the risk of potential losses due to a reputational deterioration or to a negative perception of the Group's image among its customers, counterparties, shareholders and supervisory authorities. The Group mitigates this by considering the impact of reputational risk as part of the key business decision making processes.

Tax Risk – refers to the risk that the Italian tax asset will not be recoverable or that there is a change in regulatory requirements concerning the treatment of the asset for solvency purposes. Following the acquisition of UPE, the Group retains an Italian tax asset resulting from the prepayment of exit tax as a result of UPE's decision to become an Italian withholding tax agent in 2012.

Emerging Risk – refers to newly developing or changing risks which are difficult to quantify and which may have a significant impact on the Group. Emerging risks are assessed by Risk Management and reviewed by the Risk Committee on a quarterly basis. The Group mitigates these risks through investigation and monitoring of management actions.

Cyber Risk – refers to any risk of financial loss, disruption or damage to the reputation of the Group from failure and breaches of its information technology systems. The Group mitigates these risks through risk assessments and the implementation of an appropriate control framework, including but not limited to:

- Annual business continuity and disaster recovery planning and testing;
- Bi-annual independent third party testing of the external defences e.g. firewalls;
- Independent third party review of the internal systems and access controls benchmarked against industry best practice;
- Ongoing internal review and monitoring of technologies which keep technical controls up to date; and
- Ongoing monitoring of regulatory changes and implementation of the required procedures and controls including those related to General Data Protection Regulation ("GDPR").

Conduct Risk – refers to the risk the Group poses to its customers from its direct interaction with them. The Group mitigates these risks through the development of a Conduct Risk Framework, in line with EIOPA's guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors. The Group has developed a framework to ensure that customers are protected and that business is conducted in a fair, efficient, ethical and valuable manner. The Group has also implemented an oversight team which is responsible for initial due diligence and ongoing monitoring of partners.

Concentration Risk – refers to the risk of loss from lack of diversification across multiple jurisdictions, products or counterparties. The Group mitigates this risk through ongoing diversification of products across multiple jurisdictions and counterparties.

Regulatory Compliance Risk – arises from a failure or inability to comply fully with the laws, regulations standards or codes specifically related to entities in the financial services industry. Any non-compliance may result in the Group being subject to regulatory sanction and financial losses arising from such sanctions. The Group has in place specific personnel tasked with ensuring all aspects of regulation and compliance requirements, including customer conduct codes, are fully complied with. The Group has no appetite or tolerance for regulatory breaches.

Brexit

The UK left the European Union on 31 January 2020 with a withdrawal agreement. In the final week prior to the end of the transition period (ending 31 December 2020) a trade deal was negotiated between the UK and the EU. However, the deal does not address the cross-border Financial Services sector in any meaningful way. Nevertheless, the Group understands there will be ongoing discussions between the UK and the EU in this area, with a commitment to work towards a 'memorandum of understanding' on regulatory co-operation.

The Group no longer sells into the UK under the EU Freedom of Services Provisions. During the transition period, the Group had put contingency measures in place to continue to offer its solutions in the UK notwithstanding that it no longer has access to UK insurance markets through the use of passporting rights. Financial promotions relating to products can continue to be distributed in the UK under the "standstill" approach; provided that a firm authorised by the FCA approves them. Utmost Limited, as an FCA authorised firm, approves the Company's financial promotions.

Compliance and Actuarial

Both the Compliance and Actuarial Departments, as independent control functions within the Group, reported to the Board on ongoing activities throughout 2020.

The Compliance function has continued to develop and execute the Compliance Plan.
The Head of Actuarial Function completed the year end 2020 Reporting Actuary Report, and the Actuarial Function Report for the year ended 31 December 2020.

No material issues were raised by the Compliance and Actuarial functions during the period to which these financial statements relate.

Internal Audit

The Internal Audit function is the third line of defence within the Group and is responsible for performing an independent evaluation of the effectiveness of both the internal control and risk management systems, including the adequacy of the controls in place within each business process.

The Internal Audit function assists the Board, through the Audit Committee (a Committee of the Board), in assessing its role in relation to internal control, risk management and governance responsibilities.

The Head of Internal Audit has direct and unfettered access to the Boards and to the Chairman of the Audit Committees. The Head of Internal Audit formally reports to the Audit Committees, which meet on a quarterly basis. The primary role of the Audit Committees is assisting the Boards in ensuring that there is an adequate system of controls in place for financial reporting and internal control.

A risk-based internal audit plan for 2020, which aimed to provide assurance over the key business processes as well as financial and operational risks, was approved by the Audit Committee and implemented satisfactorily throughout the year. A report, summarising audit activity and the results of each audit undertaken, was provided to the Audit Committee on a quarterly basis.

Investment Committee:

The Investment Committees are responsible for identifying, monitoring, reporting, and controlling investment activities. Another key responsibility is the review of quarterly performance of all funds and specifically any variances from relevant benchmarks; specific counterparty exposure(s); funds liquidity and operational issues concerning the management and administration of the individual entity's assets.

Banking Committee

The Banking Committee is responsible for the opening, closure and change in purpose of all Master Custodian and Corporate bank accounts. The Committee is also responsible for the review and approval of appointments to the authorised signatory list and their levels of authorisation and approval.

Directors and secretary and their interests in shares and debentures of the Company

The Directors who held office during the year under review and until the date of this report are shown below. Except where indicated, they served for the entire financial year ended 31 December 2020.

William Finn*
Ian Maidens
Henry O'Sullivan
Paul Thompson
Tim Madigan*
Paul Gillett
Andrew Milton*
Michael Davies*

* Independent non-executive director

Mr. Michael Davies was appointed to the Board on 29 January 2021. Mr. Andrew Milton resigned from the Board on the 21 May 2021.

Mr. Damien Mulholland is the Company Secretary.

The Directors and Secretary had no direct interests in the shares or debentures of the Company during the year. Two Directors Paul Thompson and Ian Maidens have an equity interest in certain Group entities. Details of these entities are disclosed in note 32 to the accounts.

Transactions involving Directors

There were no transactions involving directors during 2020 (2019: none).

Parent company

The Company is a wholly owned subsidiary of Utmost Topco Limited, formerly Life Company Consolidation Group (No 2) Limited (GSY). The Company's immediate parent is UIG Holdings (No 1) Limited.

Accounting records

The Directors are responsible for ensuring that adequate accounting records, as outlined in section 281 to Section 285 of the Companies Act, 2014, are kept by the Company. The following steps are taken to ensure compliance with the Act:

- Directors have appointed professionally qualified accounting personnel with appropriate expertise and have provided adequate resources to the finance function.
- A professionally qualified internal audit team are in place and perform an annual audit programme in agreement with management.

The accounting records are kept at the Company's registered office at Ashford House, 18-23 Tara Street, Dublin 2.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and regulations.

Irish Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Company law, the Directors shall not approve the financial statements unless they are satisfied they give a true and fair view of the assets, liabilities, and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these 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 the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and IFRS and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Compliance Statement

The Directors, in accordance with Section 225(2) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations" (as such term is defined in Section 225 (1) of the Act). The Directors confirm that:

a) a compliance policy statement has been drawn up setting out the Company's policies (that, in their opinion, are appropriate to the Company) in respect of the Company's compliance with its relevant obligations;
b) appropriate arrangements or structures have been put in place that, in their opinion, are designed to secure material compliance with the Company's relevant obligations; and
c) a review has been conducted, during the financial year, of those arrangements or structures.

Utmost Holdings Ireland Limited

Directors' report
for the financial year ended 31 December 2020

Statement of relevant audit information

Each of the persons who is a director at the date of approval of the report confirms that:

(a) as far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the Directors have taken all the steps that they ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 330 of the Companies Act 2014.

Audit Committees

The Company has established Audit Committees under Section 167 of the Companies Act 2014. Its function is to assist the Board in fulfilling its oversight responsibilities.

Independent Auditors

PricewaterhouseCoopers were appointed auditors on 15 August 2018 and are willing to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Non Adjusting Subsequent Event Disclosure

On the 9th March 2021 Harcourt Life Corporation dac, a subsidiary of the Company approved the payment of a dividend of €7,850,000 on the 12th April 2021.

On 1 April 2021 Utmost Isle of Man agreed to acquire the Quilter International business, a highly complementary business to the existing Utmost International business, from Quilter plc. The acquisition continues the expansion of the Utmost International business and further strengthens its global footprint. Total cash consideration of £483m is expected to be paid to Quilter plc by Utmost Isle of Man assuming a completion date for the transaction of 31 December 2021. Whilst the bulk of the Quilter International business consists of Isle of Man based companies, it also includes a small Irish life company, Quilter International Ireland dac, which had Own Funds of £48m at 31 December 2020. The UPE board has agreed that UPE should acquire Quilter International Ireland dac for £40m immediately post the initial acquisition by Utmost Isle of Man.

This report was approved by the Board on 28 April 2021 and signed on its behalf by:

....	....
Henry O'Sullivan	**Paul Gillett**
Director	**Director**

Independent auditors' report to the members of Utmost Holdings Ireland Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2020 and of the group's and the company's loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' report and consolidated financial statements (the "Annual Report"), which comprise:

- the consolidated and company Statement of Financial Position as at 31 December 2020;
- the consolidated and company Statement of Comprehensive Income for the year then ended;
- the consolidated and company Statement of Cash Flows for the year then ended;
- the consolidated and company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
- The Company Statement of Financial Position is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Padraig Osborne
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

6 May 2021

Utmost Holdings Ireland Limited

Statement of Comprehensive Income
for the financial year ended 31 December 2020

		Consolidated		Company	
		31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	Notes	€ '000	€ '000	€ '000	€ '000
Revenue					
Net premiums earned		24,696	19,773	-	-
Fees and commission receivable	3	72,342	77,801	-	-
Dividends received		-	-	-	15,800
Fair Value movement of subsidiaries		-	-	(25,708)	30,111
Other operating income	5	6,574	4,387	2,605	-
		103,612	101,961	(23,103)	45,911
Investment return	4	648,859	1,609,643	6,450	-
Net policyholder claims and benefits incurred					
Policyholder claims		(26,584)	(26,990)	-	-
Change in investment contract liabilities		(645,045)	(1,556,731)	-	-
Change in insurance contract liabilities		(1,815)	(11,337)	-	-
Transfer to unallocated surplus		3,630	(8,499)	-	-
		(669,814)	(1,603,557)	-	-
Expenses					
Amortisation of AVIF		(18,400)	(23,689)	-	-
Fee and Commission expenses		(20,701)	(47,220)	-	-
Administrative expenses	6	(54,082)	(55,314)	(176)	(183))
		(93,183)	(126,223)	(176)	(183)
Gain arising on bargain purchases		-	1,170	-	-
(Loss) / Profit for the financial year before interest and tax		(10,526)	(17,006)	(16,829)	45,728
Interest payable		(6,971)	(7,448)	(5,565)	(6,065)
Taxation	7	(3,564)	317	-	-
(Loss)/ Profit for the financial year after tax		(21,061)	(24,137)	(22,394)	39,663
Other comprehensive expense					
Foreign exchange rate movements		(132)	(28)	-	-
Total comprehensive (loss) / income for the financial year		(21,193)	(24,165)	(22,394)	39,663

Utmost Holdings Ireland Limited

Statements of Financial Position as at 31 December 2020

		Consolidated		Company	
ASSETS		**31 Dec 20**	**31 Dec 19**	**31 Dec 20**	**31 Dec 19**
	Notes	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Intangible assets					
Acquired value of in-force business	11	155,340	173,740	-	-
Deferred acquisition costs	15	27,742	22,679	-	-
Tangible assets					
Property, plant & equipment	9	10,013	11,237	-	-
Financial assets					
Assets held to cover linked liabilities	12	17,764,528	17,710,285	-	-
Other Investments		238,581	12,507	-	-
Cash and cash equivalents		81,317	47,147	1,656	1,503
Investments in subsidiaries	10	-	-	484,417	510,125
Insurance assets					
Reinsurers' share of insurance contract liabilities		588,094	584,226	-	-
Insurance contract receivables	14	32,840	26,693	-	-
Other assets					
Prepayments and accrued income		28,134	23,835	-	-
Other assets	13	3,258	796	2,275	-
Deferred tax asset		6,452	6,296	-	68
Withholding tax asset	25	128,094	144,739	-	-
Total assets		19,064,393	18,764,180	488,348	511,696
LIABILITIES					
Liabilities under insurance contracts	17	800,605	789,776	-	-
Unallocated surplus	18	30,560	34,190	-	-
Technical provisions for investment contract Liabilities	19	17,663,901	17,399,034	-	-
Reinsurance payables	20	54,507	30,574	-	-
Payables related to direct insurance contracts	20	21,631	15,225	-	-
Financial liabilities	21	133,996	142,237	111,663	118,615
Deferred Income		45,763	36,790	-	-
Deferred tax liability		15,059	16,904	-	-
Other payables	22	69,394	49,280	6,206	208
Total liabilities		18,835,416	18,514,010	117,869	118,823
EQUITY					
Called up share capital presented as equity	23	188	187,850	188	187,850
Capital contribution	24	-	-	-	-
Other reserves	24	-	-	-	-
Foreign currency translation reserve		(143)	1,151	-	-
Retained profits		228,932	61,169	370,291	205,023
Total equity		228,977	250,170	370,479	392,873
Total equity and liabilities		19,064,393	18,764,180	488,348	511,696

Henry O'Sullivan
Director

Paul Gillett
Director

Utmost Holdings Ireland Limited
Statements of Changes in Equity
For the financial year ended 31 December 2020

Consolidated

	Notes	Called up Share Capital and Capital Contribution	Other reserves	Retained earnings	Non-controlling interests	FCTR	Total
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
At 1 January 2019		174,850	(746)	86,656	-	1,179	261,939
Loss for the financial year		-	-	(24,137)	-	-	(24,137)
Issue of Share Capital		13,000	-	-	-	-	13,000
Retained earnings from merger		-	-	(604)	-	-	(604)
Re-class AFS reserve		-	746	(746)	-	-	-
Foreign currency translation reserve		-	-	-	-	(28)	(28)
At 31 December 2019		187,850	-	61,169	-	1,151	250,170
Loss for the financial year		-	-	(21,061)	-	-	(21,061)
Share Capital reduction		(187,662)	-	187,662	-	-	-
Reclass of HLI FCTR to retained earnings		-	-	1,162	-	(1,162)	-
Foreign currency translation reserve		-	`-	-	-	(132)	(132)
At 31 December 2020		188	-	228,932	-	(143)	228,977

Company

	Notes	Called up Share Capital and Capital Contribution	Retained earnings	Total
		€ '000	€ '000	€ '000
At 1 December 2019		174,850	165,360	340,210
Profit for the financial year		-	39,663	39,663
Share capital issued during the financial year		13,000	-	13,000
At 31 December 2019		187,850	205,023	392,873
Loss for the financial year		-	(22,394)	(22,394)
Share capital reduction during the financial year	**23**	(187,662)	187,662	-
At 31 December 2020		188	370,291	370,479

Utmost Holdings Ireland Limited

Statements of Cash Flows
for the financial year ended 31 December 2020

		Consolidated		Company	
		31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	Notes	€ '000	€ '000	€ '000	€ '000
Net cash flows generated from / (used in) operating activities	**26**	**34,633**	**(109,038)**	**153**	**5,850**
Cash flows (used in) / from investing activities					
Acquisition of subsidiaries (net of cash acquired)		-	-	-	(28,838)
Net movement of fixed assets		(463)	(48)	-	-
Net disposals of available for sale assets		-	-	-	-
Coupon received on available for sale assets		-	-	-	-
Net cash flows used in / from investing activities		(463)	(48)	-	(28,838)
Cash flows from financing activities					
Issue of share capital		-	13,000	-	13,000
Capital contributions received/(paid)		-	-	-	-
Long term loans received		-	19,666	-	11,154
Net cash flows from financing activities		-	32,666	-	24,154
Net increase / (decrease) in cash and cash equivalents		34,170	(76,420)	153	1,166
Cash and cash equivalents at the beginning of the financial year		47,147	123,567	1,503	337
Cash and cash equivalents at the end of the financial year		**81,317**	**47,147**	**1,656**	**1,503**

Notes 1 to 34 form an integral part of these financial statements

1. Statement of accounting policies

The principal accounting policies that the Group applied in preparing its financial statements for the financial year ended 31 December 2020 are set out below. Where an accounting policy for a subsidiary differs from the group accounting policies (1.1 - 1.22) this will be stated within the individual policy including any financial impact on the consolidated financial statements.

1.1. General information and basis of preparation

Both the Group consolidated and the Company's financial statements comply with IFRS as adopted by the European Union and applicable at 31 December 2020. The financial statements also comply with the requirements of relevant Irish legislation including the Companies Act, 2014.

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. They are presented in euro, rounded to the nearest thousand.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and each of its subsidiaries as detailed in Note 2. A subsidiary is an entity where the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Company controls the entity.

Subsidiaries in which the Company has a beneficial interest are consolidated from the date on which control is transferred to the Company until the date that control ceases. They are deconsolidated from the date that control ceases.

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. 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.

Going concern

The directors have a reasonable expectation that the Company and Group will continue in operational existence for twelve months from the date of approval of the financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis.

In making this assessment, the directors considered the following;

- Solvency
- Liquidity & Cash flow Management
- Asset Quality

- Counterparty Exposure
- Insurance & Mortality Risk

In addition, the potential for reinsurers not honouring their financial or operational commitments has also been considered.

On the basis of the above, the directors have concluded that the Company and Group have no material uncertainties which would cast a significant doubt on the company's ability to continue as a going concern over the period of assessment.

1.2. Foreign currency translation

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 income statement.

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

Functional and presentation currency

The consolidated financial statements are presented in Euro, which is the functional currency for all of the group companies apart from Utmost Bermuda which remains USD.

Transactions and balances treatment for translation of Utmost Bermuda

Foreign exchange gains and losses resulting from functional to presentational currency are recognised in the statement of comprehensive income as a movement in the foreign currency translation reserve (FCTR).

1.3. Investment in subsidiary undertakings

Subsidiaries are entities controlled by UHIL. UHIL 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.

The valuation of subsidiaries is a key area of judgement. Investments in subsidiary undertakings are accounted for at fair value. These investments are initially measured at cost. Thereafter, valuation of regulated insurance company subsidiaries is based on the subsidiaries Own Funds under Solvency II, adjusted for the adding back of foreseeable dividends, VIF outside of contract boundaries and 50% of Risk Margin. The VIF is the present value of future profits on a portfolio of long-term insurance and investment contracts, representing the value of in-force policies. Non-regulated insurance company subsidiaries are fair valued using the equity method. These subsidiaries are initially recognised at cost and adjusted thereafter for changes in the net assets of the subsidiary.

The valuation basis is best estimate and may lead to uncertainty in the consistency of results due to the nature of valuing level 3 inputs as per note 28 to the financial statements.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Assets and liabilities of acquired subsidiaries at valuation date

When determining fair value, management uses the assumptions that market participants would use a robust and realistic valuation basis when pricing the asset or liability of an entity. The purchase method of accounting was used by the Group to account for the acquisition of subsidiary undertakings. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. The Group's policy is if those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference will be recognised directly in the statement of comprehensive income as a bargain purchase and accounted for accordingly in the financial statements.

1.4. Financial assets

Classification and measurement

The Group has applied IFRS 9 and classifies its financial assets into the following categories;

- Fair value through profit or loss (FVPL);
- Amortised cost.

Classification and subsequent measurement of financial assets is dependent on the business model for managing the assets and the cash flow characteristics of the asset.

- Amortised Cost: Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) and that are not recognised at FVPL are measured at amortised cost
- Fair Value through profit or loss: Assets that do not meet the criteria for amortised costs and are actively traded are measured at fair value through profit or loss.
- Business model: The business model reflects how the Group manages the assets in order to generate cash flows. Factors considered by the Group in determining the business model include past experience on how cash flows were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed.

Amortised cost investments

The Group holds a solvency portfolio which consists of relatively long dated bonds (or fixed income securities) which are held for asset-liability matching purposes.

Financial assets - recognition, measurement and derecognition

Purchases of financial assets are recognised on the trade date, which is when the Company commits to purchase the assets, and are valued at their purchase price.

Listed investments and derivatives are valued at current bid-price at the statement of financial position date. Unlisted investments for which a market exists are also stated at the current bid-price at the statement of financial position date or the last trading day before that date. The value of other unlisted investments, for which no active market exists, are established at directors' best estimate of fair value, based on third party information or valuations provided by counterparties, or valued at cost and reviewed for impairment at the statement of financial position date.

After initial recognition, the Company measures loans and receivables at amortised cost, other than those that the Company intends to sell in the near term, which the Company designates upon initial recognition at fair value through profit or loss. Loans and receivables are subject to impairment review. This basis of valuation is reviewed by the directors, having prudent regard to the likely realisable value. Financial assets are de-recognised when contractual rights to receive cash flows from the investments expire, or where the investments, together with substantially all the risks and rewards of ownership, have been transferred.

Impairment of financial assets

For financial assets the Company 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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income. Fair values are obtained from the quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investment income

Income from investments is included in the statement of comprehensive income.

Realised and unrealised investment gains and losses

Realised gains and losses are calculated as the difference between net sales proceeds and the related purchase price.

Unrealised gains and losses attributable to assets in the life assurance business fund are reported in the statement of comprehensive income. The movement in unrealised gains and losses on investments represents the difference between the fair value at the statement of financial position date and their purchase price and their fair value at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Fair value hierarchy

TheGroup reviews its financial investments and classifies them in accordance with IFRS 13. Similarly, for investments for the benefit of life assurance policyholders who bear the investment risk, the Group reviews these investments at each year end and classifies them according to IFRS13. If the Group considers that there has been a change in measurement basis due to a change in inputs, it will reclassify the relevant financial investment to the appropriate level and separately disclose this transfer.

Where possible financial assets and liabilities are valued based on 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 year-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.

Financial liabilities

Financial liabilities, including borrowings, 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. 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.

A liability upon initial recognition may be designated at fair value through profit or loss when:

a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

Finance costs
Interest payable is recognised in the statement of comprehensive income as it accrues and is calculated by using the effective interest method. Borrowing costs are not capitalised.

1.5. Reinsurance
The Group cedes reinsurance in the normal course of business, with limits varying by line of business. Amounts recoverable from reinsurers 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 and UBL. All reinsurance is in line with the underlying entity reinsurance policy and the accounting for each of these is ceded between premiums, claims and liabilities for insurance contracts. There is no accounting treatment difference across the entities and reinsurance recoverability is in line with actual experience.

Reinsurance assets represent balances due from reinsurance companies. Reinsurers' share of insurance contract liabilities are dependent on expected claims and benefits arising under the related reinsured policies.

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

The Company reinsures its with-profits business with Aviva Life & Pensions UK Limited and Phoenix Life Limited. Premiums ceded and claims reimbursed are presented on a gross basis in the income statement and statement of financial position as appropriate.

1.6. 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 international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

1.7. 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.

1.8. Investment contracts
Contracts issued by the Group are unit-linked and do not contain any significant insurance risk. These contracts are all classified as investment contracts. The entities who have investment contracts include UPE and Utmost Bermuda.

Financial assets, investment property and derivative financial instruments held in respect of linked liabilities to customers and related liabilities to customers under investments contracts are stated at fair value and are separately disclosed in the Statement of Financial Position.

Premiums received and claims paid 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 and the corresponding movement in investment contract liabilities are included on a net basis in other operating income.

Revenue on investment management services provided to holders of investment contracts is recognised as the services are performed.

1.9. Insurance contracts and investment contracts with DPF
The Group's with-profits business in respect of the ex HLI business is classified as Insurance business and is partially reassured to Phoenix Life Limited. In considering the level of insurance risk, UPE has recognised the significance of the insurance guarantees attaching to the with-profits business and in particular that no market value adjustment (MVA) is applied in the case of the death of policyholders. This compares to policy surrenders where an MVA is applied to the value of policy at exit. The IFRS cash reserve for Insurance business is calculated as the present value of all projected future outgoings and income. The calculation is carried out using best estimate assumptions and a floor of zero is applied to policies which are estimated to have negative non-unit reserves. The Group also classifies liabilities in respect of with-profits business of the ex UI book written prior to being acquired by the Group as insurance contract liabilities. This business is 100% reinsured to Aviva Life & Pensions UK Limited.

The majority of the life assurance contracts issued by the Group are long-term life assurance contracts.

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 significant accounting policies applied in relation to insurance contracts and investment contracts with DPF are:
Liabilities under insurance contracts
The insurance contract liabilities comprise the provision for claims, the life assurance provision and the provision for unearned premiums.

The Life Assurance Provision was calculated by a Fellow Member of the Society of Actuaries in Ireland. The computation was made on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down in European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. The Life Assurance Provision was computed separately for each life assurance contract, using surrender, expense and mortality assumptions that reflect the Company's expected experience with appropriate allowance for margins of prudence.

Liabilities – insurance and investment contracts with DPF, are calculated as follows:
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. The major element of the unitised with-profit liabilities is reinsured to Aviva Life & Pensions Limited and the remainder is partially reinsured to Phoenix Life Limited.

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

Embedded derivatives
Embedded derivatives, including options to surrender insurance contracts, that meet the definition of insurance contracts or are closely related to the host insurance contract, are not separately measured. All other embedded derivatives are separated from the host contract and measured at fair value through profit or loss.

Liability adequacy
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.

1.10. 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
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.

1.11. 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:

Leasehold improvement, Fixtures and Fittings - 20% Straight Line
Computer hardware and software - 50% Straight Line
Leasehold Property – remaining term of 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's 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 period 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.

1.12. Leases

Leases are recognised as a right-of-use asset and related lease liability except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

1.13. Tax (current and deferred)

Current tax payable is the expected tax payable on the taxable income for the year 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 Statement of Financial Position 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.

Current and deferred taxes are recognised in the statement of comprehensive income in the year in which the profits arise except to the extent that they relate to items recognised directly in equity, in which case the taxes are also recognised in equity.

Deferred and current 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.

1.14. 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.

1.15. Deferred acquisition costs

Deferred acquisition costs for non-participating investment contracts and insurance contracts are amortised over the period in which the service is provided. Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

1.16. Deferred Income Liability

At the inception of certain investment contracts, establishment charges or front-end fees were collected from the policyholder either at the outset or over the first few years, in respect of costs expected to be incurred over the lifetime of the contract. These establishment charges or front-end fees are presented as a Deferred Income Reserve. This liability is amortised over the expected term of the contract and is included within "Fee and commission receivable" in the statement of comprehensive income.

1.17. Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash comprises cash on hand, demand deposits and deposits with a maturity of less than three months.

1.18. Income recognition

Gross premiums

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. Funds at retirement under individual pension contracts converted to annuities with the Group are, for accounting purposes, included in both claims incurred and premiums within gross premiums written.

Reinsurance premiums

Outward reinsurance premiums are accounted for on a payables basis.

Fee 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.

Initiation and other "front-end" fees (fees that are assessed against the policyholder balance as consideration for origination of the contract) are charged on some non-participating 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.

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.

Net investment return
Net investment income comprises interest, dividends and fair value gains and losses on financial assets.

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

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments and receipts throughout the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The calculation includes all fees, transaction costs and other premiums and discounts that are an integral part of the effective interest rate on the transaction.

Once an impairment loss has occurred on an individual asset, interest income is recognised on that asset using the rate of interest at which its estimated future cash flows were discounted in measuring impairment.

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

1.19. Benefits, claims and expenses recognition
Gross benefits and claims
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.

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

1.20 Employee benefits
All permanent employees of the Group are eligible to join the Group's Defined Contribution Scheme. The contributions made by the Group to the scheme are recognised as an employee benefit expense and are included in Administrative expenses. The defined contribution pension scheme is known as Utmost Ireland Pension Scheme.

1.21. Critical accounting policies and use of estimates
The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Irish company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable.

Item	**Critical accounting judgment, estimate or assumption**	**Accounting Policy**
Insurance Liabilities	Assessment of the significance of insurance risk	1.9
Financial Investments	Fair values of financial investments	1.4
Deferred Tax asset	Recognition of deferred tax asset	1.13
AVIF	Recognition and carrying value of AVIF	1.21
Deferred Income Reserve	Deferral of establishment fees	1.16

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments and carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In light of the global pandemic insurance contract liabilities have included a €3m Covid 19 provision.

1.22. Goodwill, Intangible assets and acquired value of in-force policies ('AVIF')
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each balance sheet date. Goodwill is not subject to amortisation but is tested for impairment.
Negative goodwill arising on an acquisition is recognised directly in the income statement.

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) based on 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 acquired value of in-force policies, can be acquired directly or through the purchase of a subsidiary, is recognised as an intangible asset. The AVIF is amortised over the useful lifetime of the related contracts in the

portfolio on a systemic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value.
Insurance and participating investment contract AVIF is reviewed for impairment at each reporting date as part of the liability adequacy requirements of IFRS 4. Acquired VIF is reviewed for evidence of impairment and impairment tested at portfolio level by reference to a projection of future profits arising from the portfolio.

Insurance and investment contract liabilities
Insurance and investment contract liability accounting is discussed in more detail in accounting policies 1.8 and 1.9.

1.23. Prospective accounting changes

No new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB).

IFRS 17: 'Insurance Contracts'

The Group is participating in an Utmost Group led project, with the support of external advisors, to assess the applicability and impact of IFRS 17 on its business. An IFRS 17 implementation plan has been drawn up by the external consultants and the local project team with additional direction from Utmost Group. The build and implementation phases of the project are underway and all work will be completed in advance of the project go-live.

1.24. Italian withholding tax prepayment

Contributions to the Italian Revenue as a result of the UPE acting as a Withholding Tax Agent are recognised as a tax prepayment asset. Italian capital gains tax recovered from policyholders is offset against this asset. The recoverable amount of this asset is reviewed at each financial year end and is determined by the Board of Directors. This asset has not been discounted in the financial statements.

1.25. Operating expenses

All operating expenses, including acquisition costs, are charged to the statement of comprehensive income when incurred. Acquisition costs comprise the direct and indirect costs of obtaining and processing new business.

2. Subsidiaries

The consolidated financial statements include the following subsidiaries:

Subsidiary	Date of acquisition	Registered address/ business office	Nature of business	Shares held
Harcourt Life Corporation dac	11 Mar 15	Ashford House 18-23 Tara Street Dublin 2, Ireland	Management activities	100% of issued share capital
Utmost PanEurope dac (previously Generali PanEurope dac)	19 June 2018	Navan Business Park Athlumney, Navan Co Meath, Ireland	Life insurance	100% of issued share capital
Utmost Services Ireland Limited	18 Aug 15 (incorporation date)	Ashford House 18-23 Tara Street Dublin 2, Ireland	Management and administration services	100% of issued share capital
Utmost Bermuda Limited (previously Altraplan Bermuda Limited)	30 Nov 16	Ashford House 18-23 Tara Street Dublin 2, Ireland	Life insurance	100% of issued share capital

3. Fees and commission receivable

	Consolidated	
	31 Dec 20	31 Dec 19
	€ '000	€ '000
Fee income from investment contracts	54,166	49,753
Initial Fees	1,590	19,789
Commission earned on reinsurance premiums ceded	12,659	11,276
Trail commissions received	2,689	1,782
Increase in deferred income liability	1,238	(4,799)
	72,342	**77,801**

4. Investment Return

	Consolidated	
	31 Dec 20	31 Dec 19
	€ '000	€ '000
Change in fair value of financial assets	648,724	1,609,472
Income from financial assets at amortised cost	135	171
	648,859	**1,609,643**

5. Other operating income

	Consolidated		Company	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	€ '000	€ '000	€ '000	€ '000
MSA fee income from other group company	-	3,630	-	-
Other income	6,574	757	2,605	-
	6,574	**4,387**	**2,605**	**-**

6. Administrative expenses

	Consolidated	
	31 Dec 20	**31 Dec 19**
	€ '000	**€ '000**
Staff costs		
Wages and salaries	21,654	21,134
Retirement benefit costs	1,313	1,141
Social insurance costs	2,568	3,504
Other staff costs	2,786	2,589
	28,321	**28,368**
Depreciation of property, plant and equipment	1,687	1,799
IT costs	4,522	5,315
Auditor's fees*	755	536
Auditor's fees - non-audit services*	242	217
Occupational costs	1,063	1,270
Professional fees	14,118	14,770
Other administrative costs	3,374	3,039
	25,761	**26 ,946**
Stamp Duty	-	-
Intangibles write off	-	-
Total Costs	**54,082**	**55,314**

*2019 audit fees above were reflected ex VAT. *2020 numbers are inclusive of VAT.*

Total Auditor fees ex vat for UHIL Company include 2020: €66,560, (2019: €28,560), Non Audit services 2020: €45,000 (2019: €45,000)

The financial year's (loss)/profit before tax for the financial year is stated after charging Directors' remuneration as follows:

	Non-executive Directors' fees €'000	**Directors' salaries €'000**	**Annual taxable benefits €'000**	**Pension contributions €'000**	**Total €'000**
2020	228	503	479	59	1,269
2019	207	429	475	59	1,170

Average monthly number of employees for UHIL (including the Directors) during 2020 were Nil (2019: Nil). All Group employees are employees of USIL. The average number of employees during 2020 was 364 (2019: 296).

7. Taxation

	Consolidated		Company	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	€ '000	€ '000	€ '000	€ '000
Current taxation	**(3,564)**	**317**	**-**	**-**

The reconciliation of taxation on (losses) / profits at the standard Irish corporation tax rate to the actual tax charge is analysed as follows:

	Consolidated		Company	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	€ '000	€ '000	€ '000	€ '000
(loss) / Profit on ordinary activities before taxation	(17,497)	(24,454)	(22,394)	39,663
Tax at 25% (2019:25%) (Company) 12.5% (2019:12.5%) (Consolidated)	(2,187)	(3,057)	(5,599)	9,916
Fair Value gains exempt from corporation tax	-	-	6,427	(7,527)
Income exempt from corporation tax charges	-	-	(651)	-
Foreign profits subject to lower corporation tax rates	-	-	-	-
Prior year Under / Over Provision	-	(64)	-	-
Other	-	-	-	-
Expenses not deductible for tax purposes-permanent differences	86	2,213	(220)	37
Impact of Group Transfer Pricing Adjustments	-	-	-	-
Fair Value adjustment on investment in Subsidiaries	68	(977)	-	-
Group Relief surrendered	-	-	-	399
Franked Investment Income	-	-	-	(3,950)
Gain arising on bargain purchase	-	-	-	-
Prior year losses utilised on which deferred tax was not recognised	-	(92)	-	(43)
Irish income tax	101	(13)		-
Foreign Tax	5,464	-	-	-
Transfer Pricing Adjustments	-	1,625	-	-
Current Year Losses carried forward on which no deferred tax asset is recognised	32	48	43	1,168
Tax charge/ (credit) for the financial year	**3,564**	**(317)**	**-**	**-**

An agreement was reached with the Italian tax authorities in 2020 that a subsidiary company should be treated as having a taxable permanent establishment in Italy. The terms of the agreement included a settlement of taxes from 2013 – 2018. The total settlement amount in respect of these years was €5,522,000 which included €2,038,000 in interest and penalties. The branch tax return and associated payment for 2019 of €229,000 was submitted in November 2020 and the annual submission of tax returns will form part of the tax compliance process in future years. The tax charge for the branch was €243,000. The subsidiary Company received a tax rebate of €530,000 for these periods from Irish Revenue for making foreign tax payments.

8. Loss attributable to equity holders of the parent

	Consolidated	
	31 Dec 20	**31 Dec 19**
	€ '000	**€ '000**
Loss attributable to equity holders of the parent	**(21,061)**	**(24,137)**

9. Property, plant & equipment

Cost	**Leasehold improvements, Computer and Office Equipment €'000**	**Right to Use Asset €'000**	**Total €'000**
Year ended 31 December 2020			
Opening net book value 1 January 2020	1,375	9,862	11,237
Additions in the year	379	84	463
Disposals in the year	-	-	-
Depreciation charge	(672)	(1,015)	(1,687)
Disposals	-	-	-
Closing net book value	1,082	8,931	10,013
At 31 December 2020			
Cost or valuation	6,869	10,943	17,812
Accumulated depreciation	(5,787)	(2,012)	(7,799)
Impairment loss in year	-	-	-
Net book amount	1,082	8,931	10,013
At 31 December 2019	**1,375**	**9,862**	**11,237**
At 31 December 2020	**1,082**	**8,931**	**10,013**

10. Investments in subsidiaries

	Company	
	2020	**2019**
	€ '000	**€ '000**
Opening balance	510,125	452,233
Investments / Bargain purchase during the financial year	-	28,838
Fair value movements in the financial year	(25,708)	29,054
Balance at the end of the financial year	**484,417**	**510,125**

11. Intangible assets

	Consolidated	
	2020	**2019**
	€ '000	**€ '000**
At the beginning of the financial year	173,740	197,429
AVIF	-	-
Amortisation of AVIF	(18,400)	(23,689)
At the end of the financial year	**155,340**	**173,740**

The AVIF is calculated, based on the present value of expected future profits of UPE and the ex-Aegon International Investment bond business, allowing for the cost of capital. Key assumptions include future lapse, renewal and expense assumptions. The AVIF is amortised in line with the projected run-off of the Solvency II best estimate liabilities. The AVIF is reviewed for impairments at each reporting date by reference to the value of future profits in accordance with Solvency II principles.

12. Assets held to cover linked liabilities

	Consolidated	
	2020	**2019**
	€ '000	**€ '000**
Loans and deposits	1,919,606	1,920,849
Equities	1,423,841	1,305,494
Fixed and variable income securities	1,762,067	1,974,106
Collective scheme investments	12,367,567	12,168,325
Derivatives	8,862	3,064
Other Investments	282,585	338,447
Total assets	**17,764,528**	**17,710,285**

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.

13. Other assets

	Consolidated		Company	
	31 Dec 20	**31 Dec 19**	**31 Dec 20**	**31 Dec 19**
	€ '000	**€ '000**	**€ '000**	**€ '000**
Other assets	3,258	796	2,275	-
	3,258	**796**	**2,275**	**-**

14. Insurance contract receivables

	Consolidated		Company	
	2020	**2019**	**2020**	**2019**
	€ '000	**€ '000**	**€ '000**	**€ '000**
Insurance contract receivables	32,840	26,693	-	-

15. Deferred acquisition costs

	2020	**2019**
	€'000	**€'000**
Acquisition costs at 1 January	22,679	7,864
Costs deferred in current year	7,260	10,832
Release to income statement	(2,197)	3,983
At 31 December	**27,742**	**22,679**

16. Deferred income liability

	2020 €'000	2019 €'000
Acquisition costs at 1 January	36,790	15,333
Amortisation	(1,238)	17,912
Income deferred in current year	10,211	3,545
At 31 December	**45,763**	**36,790**

17. Liabilities to customers under insurance contracts

	Consolidated		Consolidated	
	Gross liabilities 2020 €000	Reinsurers' share 2020 €000	Gross liabilities 2019 €000	Reinsurers' share 2019 €000
Life assurance business:				
Insurance contracts	747,219	588,094	738,341	584,226
Investment contracts with discretionary participating features (DPF)	53,386	-	51,435	-
As at 31 December	**800,605**	**588,094**	**789,776**	**584,226**

	Consolidated		Consolidated	
	Gross liabilities 2020 €000	Reinsurers' share 2020 €000	Gross liabilities 2019 €000	Reinsurers' share 2019 €000
At 1 January 2020	789,776	584,226	685,918	494,816
Additions on acquisition of subsidiaries	-	-	-	-
Policyholder Premiums	279	12	303	33
Policy holder Claims	(34,390)	(22,905)	(53,723)	(38,671)
Other changes in liabilities	45,016	26,761	73,629	64,698
Group Risk reserves – Other changes			79,529	63,350
Foreign exchange movements	(76)	-	4,120	
As at 31 December 2020	**800,605**	**588,094**	**789,776**	**584,226**

18. Unallocated surplus

	Consolidated	
	2020 € '000	2019 € '000
At 1 January	34,190	25,691
Transfer from statement of comprehensive income	(3,630)	8,499
Foreign exchange adjustments	-	-
At 31 December	**30,560**	**34,190**

19. Technical provisions for investment contracts

	Consolidated	
	2020	2019
	€ '000	€ '000
At 31 December	17,399,034	15,662,645
Additions on acquisition of subsidiaries	-	-
Premium income	1,131,509	1,047,785
Claims	(1,121,473)	(1,172,929)
Foreign exchange movements	(390,214)	304,802
Other changes in liabilities	645,045	1,556,731
At the end of the financial year	**17,663,901**	**17,399,034**

20. Payables related to direct insurance contracts and reinsurance payables

	Consolidated	
	2020	2019
	€ '000	€ '000
Payables related to direct insurance contracts	**21,631**	**15,225**
Reinsurance payables	**54,507**	**30,574**

21. Financial liabilities

	Consolidated		Company	
	2020	2019	2020	2019
	€ '000	€ '000	€ '000	€ '000
UIG Holdings (No 1) Limited	111,663	118,615	111,663	118,615
Utmost Limited	22,333	23,622	-	-
	133,996	**142,237**	**111,663**	**118,615**

Financial liabilities comprise loans carried at amortised cost. The loan from Utmost Limited, a related party, is a £20m facility provided to UPE following its acquisition by the Company in June 2018.

22. Other payables

	Consolidated		Company	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	€ '000	€ '000	€ '000	€ '000
Tax payable / Provision- policyholders	2,267	563	-	-
IFRS 16 Lease liability	9,303	10,059	-	-
Accruals	51,325	37,427	-	-
Other creditors and accruals	6,499	1,231	6,206	208
	69,394	49,280	6,206	208

23. Called up share capital presented as equity

	Consolidated and the Company	
	2020	2019
	€ '000	€ '000
Ordinary share capital		
Authorised		
300,000,000 (2019: 300,000,000) ordinary shares of €1 each	300,000	300,000
Allotted, called up and fully paid		
187,850 (2019: 187,850,001) ordinary shares of €1 each	188	187,850

On 1 December 2014 the Company passed a Special Resolution :

- to subdivide each issued and unissued Ordinary Share of €1.00 each into 1,000 Ordinary Shares of €0.001 each; and thereafter
- to consolidate and redesignate 999 of every 1,000 such Ordinary Shares of €0.001 into one Deferred Share of €1.00 each
- to consolidate every 1,000 Ordinary Shares of €0.001 each then remaining into one Ordinary Share of €1.00 each.

On 1 December 2020 the Board of the Company signed the Declaration on the Capital Reduction required under Section 204 of the Companies Act 2014 and resolved to recommend to the shareholder that the Company undertake a Capital Reduction pursuant to Section 84 of the Companies Act 2014, that included the subdivision of issued and unissued Ordinary Shares and the re-designation to Deferred Shares. On 31 December 2020 the Company passed a Special Resolution effecting the Capital Reduction. As a result of the Capital Reduction the issued Share Capital at 31 December 2020 was €187,850 (2019: €187,850,001) and Authorised Share Capital €300,000,000 (2019: €300,000,000).

24. Other reserves

	Consolidated		Company	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	€ '000	€ '000	€ '000	€ '000
Capital contribution	-	-	-	-
Reclassification to Revenue Reserves	-	-	-	-
Available for sale reserve - Opening	-	(746)	-	-
Available for sale reserve - Movement	-	746	-	-
	-	-	-	-

25. Withholding tax asset

	2020	2019
Asset	**€'000**	**€'000**
Balance at acquisition	144,739	155,258
Payable in respect of 2020	20,593	-
Prior year adjustments/ Offset special credit	(24,895)	(447)
Recovered from policyholders post acquisition	(12,343)	(10,072)
Balance at 31 December	**128,094**	**144,739**
Liability		
Payable in respect of 2020	20,593	15,445
Less Special Offset	(20,593)	(15,445)
Balance at 31 December	**-**	**-**
Maturity analysis of tax expected to be recovered		
In one financial year or less	-	-
In more than one financial year, but not more than five financial years	107,501	129,294
In more than five financial years, but not more than twenty financial years	20,593	15,445
Total	**128,094**	**144,739**

26. Cash flow statement

	Consolidated		Company	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	€ '000	€ '000	€ '000	€ '000
(Loss)/ profit before taxation	(17,629)	(24,482)	(22,394)	39,663
Non-cash movements				
Depreciation	1,688	1,799	-	-
Changes in fair value of investments in subsidiaries	-	-	25,708	(29,054)
Changes in fair value of financial assets/ liabilities	(8,241)	113	(6,450)	-
Change in fair value of investment contracts	-	-	-	-
Change in intangible assets	18,400	23,689	-	-
Change in foreign currency reserve	-	(28)	-	-
Finance Costs	304	-	-	-
Change in operating assets and liabilities				
Premium income	-	1,048,031	-	-
Claims	-	(1,178,002)	-	-
Change in unallocated surplus	(3,630)	8,498	-	-
Change in deferred income	8,973	9,026	-	(4,802)
Change in other liabilities	20,114	(31,300)	5,495	(68)
Change in other assets	(2,462)	34,133	(2,206)	-
Change in investment property	-	(2,439)	-	-
Change in prepayments and accrued income	(4,299)	-	-	-
Change in assets held to cover linked Liabilities and other investments	(280,317)	(1,838,157	-	-
Change in deferred tax asset	-	(284)	-	-
Change in financial liabilities	-	-	-	113
Change in deferred acquisition costs	(5,063)	(14,814)	-	-
Change in net reinsurance assets	13,917	(127,315)	-	-
Change in insurance contract payables	6,405	(14,420)	-	-
Change in investments contract liabilities	264,867	1,986,396	-	-
Change in insurance contract liabilities	10,829	-	-	-
Change in Withholding tax asset	16,645	10,519	-	-
Corporation Tax Paid	(5,868)			
Net cash flows generated from / (used in) operating activities	**34,633**	**(109,037)**	**153**	**5,852**

27. Risk management note

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 ensuring risks are understood and aligned to the business strategy and objectives. The primary objective is the protection of the solvency ratio to ensure it has and will have sufficient capital to discharge all liabilities as and when they become due.

Governance Structure

The Group's governance structure comprises of the appropriate Board and sub-committee's structures in each of the subsidiary operating companies. The sub-committees are Audit Committee, Risk and Compliance Committee and Investment Committee.

The Board is responsible for identifying and articulating the risk appetite of the Group, which is expressed and managed through the Risk Appetite Statement. The Risk Appetite Statement is reviewed annually following recommendation from the Risk and Compliance Committee.

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

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

The Investment Committees are responsible for the 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 principal risks faced by the Group are operational risk (including amongst others litigation risk and limited recourse 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 CBI PRISM 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 is exposed to operational risk deriving from core business activities which are either managed internally or through group and non-group outsourced service providers. The Group mitigates this risk through the implementation of the internal control and risk management system framework, whose design and structure operates to ensure that business activity complies with the laws and regulations in force and that

27 Risk management note (continued)
Group processes are efficient and effective and that accounting and management information is reliable and complete. 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.

The Group also 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.

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.

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 poses particular challenges and is subject to focus at the highest level involving the entire management team. As some of the existing businesses continues to run-off as planned, the capacity of the organisation and management team is available to ensure full oversight.

27 Risk management note (continued)

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 affect 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).

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 are 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.

Interest Rate Risk
The Group 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.

27 Risk management note (continued)

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 per 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 following table shows a summary of the sensitivity analysis carried out on key risks including interest rate risk for the Group;

	Impact on Net Assets 2020
	€'000
Interest Rates +100 bps	(1,294)
Interest Rates -100 bps	1,324
Expenses +10%	(1,770)
Mass Lapse 20%	11,045

The following interest rate sensitivities analysis was completed for the 2019 accounts.

	Liabilities 2019 €'000
Lapse Rate Increase by 10%	11,171
Lapse Rate Decrease by 10%	(12,220)
Expense Increase by 10%	20,429
Interest Rate -1%	5,020
Interest Rate +1%	(5,979)

Foreign Currency Risk
The Group holds assets, on behalf of policyholders, which are exposed to currency movements. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities. The Group also has exposure to currency movements as a portion of its shareholder assets are invested in currencies other than euro. The Company also has exposure to currency risk in relation to a GBP loan with UIG1.

27 Risk management note (continued)

Liquidity Risk

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 on behalf of policyholders. 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 following tables below set out the liquidity risk exposure of the Company's assets as at 31 December 2020:

Assets	2020 Within 1 Year	2020 1-5 years	2020 Over 5 years	2020 Unit-linked funds	2020 Total
	€'000	€'000	€'000	€'000	€'000
Financial Assets	151,609	71,332	15,640	15,848,837	**16,087,418**
Cash at bank	81,317	-	-	1,915,691	**1,997,008**
Insurance debtors and other assets	780,369	119,550	80,049	-	**979,967**
Total	**1,013,295**	**190,882**	**95,688**	**17,764,528**	**19,064,393**

The tables below set out comparative risk data as at 31 December 2019:

Assets	2019 Within 1 Year	2019 1-5 years	2019 Over 5 years	2019 Unit-linked funds	2019 Total
	€'000	€'000	€'000	€'000	€'000
Financial Assets	41,991	90,352	8,181	15,654,244	**15,794,768**
Cash at bank	47,147	-	-	1,920,849	**1,967,996**
Investment property	-	-	-	7,175	**7,175**
Insurance debtors and other assets	778,993	143,973	71,275	-	**994,241**
Total	**868,131**	**234,325**	**79,456**	**17,582,268**	**18,764,180**

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

Objectives and policies for mitigating insurance risk

27 Risk management note (continued)

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 closed 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.

Assumptions

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.

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, re 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.

27 Risk management note (continued)

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 are determined by the Board in accordance with established procedures. Final bonuses are declared by the Board 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.

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 the Company manages those risks.

With-profit business (Unitised)
The Company 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.

27 Risk management note (continued)

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 and a clear process for administering claims.

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 Company:

- 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 and reinsurance.

Credit risk is managed by the monitoring of Group exposures to individual counterparties and by appropriate credit risk diversification. The Group manages the level of credit risk it accepts through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives. The credit risk borne by the owners on unitised with-profit policies is dependent on the extent to which the underlying insurance fund is relying on owners' support.

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

The 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.

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.

The following table provides a maturity analysis showing the remaining contractual maturities of the Group's undiscounted financial liabilities and associated interest. The contractual maturities of liabilities under insurance contracts are included based on the estimated timing of the amounts recognised in the statement of financial position in accordance with the requirements of IFRS 4:

27 Risk management note (continued)

31 December 2020

	Up to 1 year € '000	1 to 5 years € '000	Greater than 5 years € '000	Policy holder € '000	Total € '000
Insurance contract liabilities	800,605	-	-	-	800,605
Investment contract liabilities	-	-	-	17,663,901	17,663,901
Financial liabilities	-	-	133,996	-	133,996
Unallocated Surplus	30,560	-	-	-	30,560
Other liabilities	197,051	-	9,303	-	206,354
	1,028,216	**-**	**143,299**	**17,663,901**	**18,835,416**

31 December 2019

	Up to 1 year € '000	1 to 5 years € '000	Greater than 5 years € '000	Policy holder € '000	Total € '000
Insurance contract liabilities	789,776	-	-	-	789,776
Investment contract liabilities	-	-	-	17,399,034	17,399,034
Financial liabilities	-	-	142,237	-	142,237
Unallocated Surplus	34,190	-	-	-	34,190
Other liabilities	138,715	-	10,058	-	148,773
	962,681	**-**	**152,295**	**17,399,034**	**18,514,010**

28. 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 in subsidiaries are measured at fair value in the statement of financial position 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.

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, which management consider to overstate the realistic cost. Accordingly, the fair value assessment applies a 3% cost of capital (2019: 3%) in calculating the risk margin to more appropriately reflect management's view of economic value. €25.7m of fair value losses are recognised in the statement of comprehensive income in the year ended 31 December 2020 (2019: €30m) in respect of re-measuring the Company's investment in subsidiaries at fair value.

The following table sets out the carrying amount and fair value of assets and liabilities measured at fair value across the three levels of the hierarchy as at 31 December 2020.

28. Fair value disclosures (continued)
CONSOLIDATED ASSETS AND LIABILITIES AT FAIR VALUE AS AT 31 DECEMBER 2020

	Carrying amounts	Fair value hierarchy			
	Total	Level 1	Level 2	Level 3	Total
ASSETS	€ '000	€ '000	€ '000	€ '000	€ '000
Investment property					
- Residential	-	-	-	-	-
	-	-	-	-	-
Financial assets at fair value through profit or loss					
- Debt securities	103,269	103,269	-	-	103,269
- Investment funds	123,496	-	123,496	-	123,496
- Unit-Linked	17,764,528	4,712,918	12,797,748	253,862	17.764,528
	17,991,293	**4,816,187**	**12,921,244**	**253,862**	**17,991,293**
Debt securities	11,816	11,816	-	-	11,816
TOTAL ASSETS AT FAIR VALUE	**18,003,109**	**4,828,135**	**12,921,112**	**253,862**	**18,003,109**
LIABILITIES					
Financial liabilities	(133,996)	-	(133,996)	-	(133,996)
Liabilities to customers under investment contracts	(17,663,901)	-	(17,663,901)	-	(17,663,901)
TOTAL LIABILITIES AT FAIR VALUE	**(17,797,897)**	**-**	**(17,797,897)**	**-**	**(17,797,897)**

28. Fair value disclosures (continued)
COMPANY ASSETS AND LIABILITIES AT FAIR VALUE AS AT 31 DECEMBER 2020

	Carrying amounts	Fair value hierarchy			
	Total	Level 1	Level 2	Level 3	Total
ASSETS	€ '000	€ '000	€ '000	€ '000	€ '000
Investments in subsidiaries	484,417	-	-	484,417	484,417
Deposits with banks	1,656	-	1,656	-	1,656
Other Assets	2,275	-	2,275	-	2,275
TOTAL ASSETS AT FAIR VALUE	**488,348**	**-**	**3,931**	**484,417**	**488,348**
LIABILITIES					
Financial liabilities	(111,663)	-	(111,663)	-	(111,663)
TOTAL LIABILITIES AT FAIR VALUE	**(111,663)**	**-**	**(111,663)**	**-**	**(111,663)**

28. Fair value disclosures (continued)
CONSOLIDATED ASSETS AND LIABILITIES AT FAIR VALUE AS AT 31 DECEMBER 2019

	Carrying amounts		Fair value hierarchy		
	Total	Level 1	Level 2	Level 3	Total
ASSETS	**€ '000**	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Investment property					
- Residential	7,175	-	-	7,175	7,175
	7,175	-	-	7,175	7,175
Financial assets at fair value through profit or loss					
- Debt securities	97,203	97,203	-	-	97,203
- Investment funds	104,067	-	104,067	-	104,067
- Unit-Linked	17,501,840	3,471,782	13,823,114	206,944	17,501,840
	17,703,110	**3,568,985**	**13,927,181**	**206,944**	**17,703,110**
Debt securities	12,507	12,507	-	-	12,507
TOTAL ASSETS AT FAIR VALUE	**17,722,792**	**3,581,492**	**13,927,181**	**214,119**	**17,722,792**
LIABILITIES					
Financial liabilities	(142,237)	-	(142,237)	-	(142,237)
Liabilities to customers under investment contracts	(17,399,034)	-	(17,399,034)	-	(17,399,034)
TOTAL LIABILITIES AT FAIR VALUE	**(17, 541,271)**	**-**	**(17,541,271)**	**-**	**(17,541,271)**

28. Fair value disclosures (continued)
COMPANY ASSETS AND LIABILITIES AT FAIR VALUE AS AT 31 DECEMBER 2019

	Carrying amounts		Fair value hierarchy		
	Total	Level 1	Level 2	Level 3	Total
ASSETS	€ '000	€ '000	€ '000	€ '000	€ '000
Investments in subsidiaries	510,125	-	-	510,125	510,125
Deposits with banks	1,503	-	1,503	-	1,503
Deferred tax asset	68	-	-	68	68
TOTAL ASSETS AT FAIR VALUE	**511,696**	**-**	**1,503**	**510,193**	**511,696**
LIABILITIES					
Financial liabilities	(118,615)	-	(118,615)	-	(118,615)
TOTAL LIABILITIES AT FAIR VALUE	**(118,615)**	**-**	**(118,615)**	**-**	**(118,615)**

Financial assets at fair value through profit and loss
The Group discloses its financial assets at fair value through profit and loss under the following classes - investment in property structures, equity shares, debt securities, derivatives, fixed and variable rate income securities, collective investment schemes and loans and deposits.

Investments in property structures
The fair values of investments in property structures were derived from inputs comprising at least one unobservable input and therefore have been classified as Level 3.

Equity shares
The fair values of equity shares have been determined using quoted market prices in active markets. In cases where the Company had no control over the pricing of the assets and oversight over the inputs used to calculate fair value or where only stale prices were available, the assets' fair values were categorised as Level 3.

Fixed and variable rate income securities
The fair value of available for fixed and variable rate income securities has been determined using bid prices and have been categorised as level 1.

Collective investment schemes
The fair value of available for collective investment schemes has been determined using bid prices and have been categorised as level 1. Where published bid prices are not available and the fair value is estimated using pricing models based on market related data or discounted cash flow techniques, the collective investment schemes are classified as level 2.

Derivative financial instruments
Fair values of derivative financial instruments are typically estimated using industry standard valuation techniques incorporating inputs that are derived from observable market data and therefore are classified as Level 2 in the fair value hierarchy.

Loans and deposits
The fair value of loans and deposits where published bid prices are not available are estimated using discounted cash flow techniques. Estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Deposits with banks
The fair value of overnight placements or call accounts is their carrying amount.

Investment property
The Group considered the nature, characteristics and risks of investment properties and decided to apply the following factors in order to determine the appropriate asset classes:

- the real estate segment (office, retail, residential, mixed use and other)
- geographical location (Ireland, UK, and Europe).

The Group has classified its investment property as level 3 in the fair value hierarchy as the Group has determined that at least one significant unobservable input was used to determine their fair values.

All 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.

Transfers between Level 1 and Level 2 of the fair value hierarchy
There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

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:

	Consolidated		
	Financial assets held at fair value through profit and loss € '000	**Investment property € '000**	**Total € '000**
Balance at 1 January 2020	**214,119**	**-**	**214,119**
Additions on subsidiary acquisition			
Transfers into Level 3	61,136	-	61,136
Transfers out of level 3	-	-	-
Total gains or losses: -			
- in profit or loss	(15,008)	-	(15,008)
- in liabilities to policyholders	(6,385)	-	(6,385)
Additions	-	-	-
Disposals/Transfers to third parties	-	-	-
Balance at 31 December 2020	**253,862**	**-**	**253,862**

	Company	
	Investments in subsidiaries € '000	**Total € '000**
Balance at 1 January 2020	**510,125**	**510,125**
Additions on subsidiary acquisition		
Transfers into Level 3	-	-
Transfers out of level 3	-	-
Total gains or losses: -		
- in profit or loss	(25,708)	(25,708))
- in liabilities to policyholders	-	-
Additions	-	-
Disposals/Transfers /Bargain Purchase	-	-
Balance at 31 December 2020	**484,417**	**484,417**

29. Related party transactions

Transactions with group companies
The Group undertakes transactions with related parties in the normal course of business. The transactions below are representative of intercompany transactions that took place during the financial year.

	Income earned € '000	Expenses incurred € '000	Payable at year end € '000	Receivable at year end € '000
Utmost Services Ireland Limited	36,141	(1233)	(58)	1,290
Utmost Holdings Ireland Limited	6,621	(5,652)	(117,729)	-
Utmost PanEurope dac	255	(39,030)	(26,540)	-
Utmost Bermuda Limited	-	(106)	-	-
Utmost Services Limited*	6,359	(341)	-	2,334
Utmost Administration Limited*	436	-	-	58
UIG Holdings (No 4) Limited (UK)*	277	-	-	82
Utmost Worldwide Limited*	1,426	(5,379)	(135)	477
Utmost Limited*	1,111	-	-	22,492
UIG Holdings (No 1) Limited (UK)*	5,565	(6,450)	-	117,729
Total	**58,191**	**(58,191)**	**(144,462)**	**144,462**

*Not consolidated as part of these accounts

USIL provides policy administration and other management services to life assurance entities within the UHIL Group. Management Service agreements are in place with details of the charging structure between the entities. USIL also recharges UPE for Non-Executive Directors fees.

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. Key management expenses continue to be paid through USIL.

	2020	**2019**
Short-term employee benefits	2,748,930	2,722,384
Post-employment benefits	163,813	184,775
Termination benefits	-	159,303
	2,912,743	**3,066,462**

The Directors and Secretary had no direct interests in the shares of the Company during the year. Two Directors Paul Thompson and Ian Maidens have an equity interest in certain parent company entities. (See note 32).

30. Immediate parent and ultimate controlling party

The Company is a wholly owned subsidiary of Utmost Topco Limited, formerly Life Company Consolidation Group (No 2) Limited (GSY). The Company's immediate parent is UIG Holdings (No 1) Limited.

The ultimate parent Company which maintains a majority controlling interest in the group is recognised by the directors as OCM Utmost Holdings Limited, a Cayman incorporated entity. OCM Utmost Holdings Limited is an investment vehicle owned by funds which are ultimately controlled by Oaktree Capital Group LLC.

31. Provisions, contingent liabilities, and commitments

In the normal course of the Group's business, litigation and disputes arise from time to time. The Group has a policy of active management and rigorous defence of legal claims and there are procedures in place to ensure oversight by the Board of Directors.

32. Directors' and Secretary's interests

At 31 December 2020 the Directors and secretary in office, and their spouses and minor children, had no beneficial interests in the shares of the Company. The Directors' interests in the parent and group entities as at 31 December 2020 and as at 31 December 2019 are detailed below:

		Number of shares	
2020		**Paul Thompson**	**Ian Maidens**
Utmost Topco Limited	C ordinary shares	2,750	2,750
Utmost Topco Limited	D ordinary shares	5,000	5,000
Utmost Topco Limited	S ordinary shares	50	50
Utmost Topco Limited	8% Preference shares	30,014,243	30,014,243

		Number of shares	
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 Limited	Euro Preference shares	1,543,804	1,543,804
Utmost International Group Holdings Limited	Sterling Preference shares	1,160,803	1,160,803
Utmost International Group Holdings Limited	S shares	50	50

33. Non adjusting subsequent event disclosure

On the 9th March 2021 Harcourt Life Corporation dac, a subsidiary of the Company approved the payment of a dividend of €7,850,000 on the 12th April 2021.

On 1 April 2021 Utmost Isle of Man agreed to acquire the Quilter International business, a highly complementary business to the existing Utmost International business, from Quilter plc. The acquisition continues the expansion of the Utmost International business and further strengthens its global footprint. Total cash consideration of £483m is expected to be paid to Quilter plc by Utmost Isle of Man assuming a completion date for the transaction of 31 December 2021. Whilst the bulk of the Quilter International business consists of Isle of Man based companies, it also includes a small Irish life company, Quilter International Ireland dac, which had Own Funds of £48m at 31 December 2020. The UPE board has agreed that UPE should acquire Quilter International Ireland dac for £40m immediately post the initial acquisition by Utmost Isle of Man.

Approval of financial statements

The financial statements were authorised for issue by the Board of Directors on 28 April 2021.