UTMOST WORLDWIDE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

Registered Number: 27151

Registered Address:

Utmost House
Hirzel Street
St Peter Port
Guernsey
GY1 4PA
Channel Islands

The Directors present their annual report and financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of Utmost Worldwide Limited ("the Company") is the sale of insurance and investment linked insurance products.

Utmost Worldwide Limited was incorporated in Guernsey as a limited liability company on 17 August 1993, as Generali Worldwide Insurance Company Limited. The name changed to Utmost Worldwide Limited subsequently due to the acquisition of the Company by the Utmost Group on 28 February 2019. The Company has been operating as a licensed insurer for over 25 years. The Company is composed of two distinct business units, Wealth Solutions and Corporate Solutions.

The Utmost Wealth Solutions unit ("Wealth Solutions") specialises in providing insurance-based unit linked savings and investment products targeted towards the internationally mobile expatriate market. Through its Utmost Corporate Solutions unit ("Corporate Solutions"), the Company provides insurance products and services to employers of all sizes; this includes corporate and personal medical insurance plans, business travel assurance, life and disability cover and retirement and savings products.

From a geographic perspective, the Company has operations in Guernsey (Head Office), Hong Kong, the Republic of Ireland, Singapore, Switzerland, Cayman, The Bahamas and through a subsidiary in the UAE.

It operates in accordance with the provision of the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002. The Company is licensed under the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, by a Category A permit and The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 as amended, under Article 6 of the Insurance Business (Jersey) Law, 1996, under Insurance Act (Chapter 142) in Singapore, Insurance Ordinance (Cap 41) in Hong Kong, Insurance Law 2010 in Cayman, Insurance Act 2008 in BVI, Insurance Act Chapter 347 in The Bahamas and the Insurance Act in Switzerland.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; 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 confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, by a Category A permit and The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 as amended. 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.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

RESULTS
The state of affairs of the Company as at 31 December 2020 is set out on pages 7 and 8. The results for the year are set out in detail on page 9 and the cash flows are set out on page 12.

DIVIDENDS AND SHARE REPURCHASE
In 2020 there have been two dividends paid. On 21 April 2020 the Board resolved to approve a dividend of £12.5m which was paid on 18 May 2020 to Utmost Holdings (Guernsey) Limited (formerly named UIG Holdings (No 6) Limited) and on 22 September 2020 the Board resolved to approve a dividend of £12.5m which was paid on 5 October 2020 (2019: NIL) and paid to Utmost International Group Holdings Limited (formerly named UIG Holdings (No 4) Ltd. On 28 February 2019, the Company entered into a share repurchase agreement with Utmost Holdings (Guernsey) Limited (formerly named UIG Holdings (No 6) Limited) (as sole shareholder). 230,000,000 €1 ordinary shares were repurchased by the Company, with the shares cancelled upon acquisition and a consideration of €230,000,000 distributed to Utmost Holdings (Guernsey) Limited (formerly named UIG Holdings (No 6) Limited) out of capital.

SIGNIFICANT EVENTS
On 1 October 2020, there was a group restructure of the wider Utmost Group of Companies (Life Company Consolidation Group (No 2) Limited to be renamed Utmost Topco Limited and its subsidiaries) 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 end impact of the restructuring on the Company was that its immediate parent is now Utmost International Group Holdings Limited; the former immediate parent was Utmost Holdings (Guernsey) Limited.

The coronavirus pandemic has led to significant volatility for global markets during March 2020 and also led to lockdown in various territories in which the Company operates. The stabilisation of the global markets combined with a robust business continuity plan by the Company has meant the pandemic has had a minimal impact on the Company's service delivery and business results. Refer to note 35 for details of management's response to and current observations and assessment of the impact of the virus on the Company's business.

UTMOST WORLDWIDE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS AND COMPANY SECRETARY

The Directors of the Company are:

Vic Holmes	
Ian Maidens	
Leon Steyn	
Mark Thompson	
Paul Thompson	
Charles Bangor-Jones	appointed 21 April 2020
Giorgio Daboni	resigned 21 April 2020

Paul Thompson and Ian Maidens, two non-executive Group Directors, in position from 28 February 2019 each hold a beneficial interest in the share capital of the Company. No other Directors held any beneficial interest in the Company during the year.

The Secretary of the Company is:

Garth Norman

INDEPENDENT AUDITOR

The reappointment of the auditor will be considered at the next Annual General Meeting. PricewaterhouseCoopers CI LLP has expressed its willingness to continue in office.

By order of the Board

Director

Director

Date: 22 April 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UTMOST WORLDWIDE LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Utmost Worldwide Limited (the "company") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

What we have audited

The company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Financial Statements but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UTMOST WORLDWIDE LIMITED

Use of this report

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

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
23 April 2021

The maintenance and integrity of the company's website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UTMOST WORLDWIDE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

All amounts in £000 unless otherwise stated

	Note	2020	2019
Assets			
Property and equipment	5	719	835
Right-of-use assets	6	3,885	4,913
Investments in subsidiaries	8	459	459
Investments			
Financial assets at fair value through profit & loss	9.1	3,885,909	3,694,407
Financial assets at fair value through OCI	9.2	278,337	277,862
Amount ceded to reinsurers from insurance provisions	15	92,142	85,963
Receivables including insurance receivables	10	26,908	27,376
Post-employment defined benefit asset	19	37	3,620
Cash and cash equivalents	11	46,184	53,322
Accrued income and prepayments	12	208,435	232,455
Total assets		**4,543,015**	**4,381,212**

The notes on pages 13 to 96 are an integral part of these financial statements

UTMOST WORLDWIDE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

All amounts in £000 unless otherwise stated

	Note	2020	2019
Equity and liabilities			
Issued share capital	13	100,231	100,231
Revenue reserves	14	38,214	35,265
Other reserves	14	13,265	12,140
Total Equity		**151,710**	**147,636**
Insurance provisions	15	660,777	650,106
Financial liabilities at fair value through profit & loss	16	3,303,413	3,106,813
Lease liabilities	7	4,057	5,010
Payables including insurance payables	17	128,703	141,933
Accruals and deferred income	18	294,355	329,714
Total liabilities		**4,391,305**	**4,233,576**
Total shareholders' equity and liabilities		**4,543,015**	**4,381,212**

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2021 and signed on its behalf by

Director

Director

The notes on pages 13 to 96 are an integral part of these financial statements

All amounts in £000 unless otherwise stated

	Note	2020	2019
Earned premiums	20	133,299	147,861
Premiums ceded to reinsurers	20	(78,888)	(87,067)
Net insurance premium revenue		54,411	60,794
Interest and other investment income	11	936	2,506
Gains on disposal from subsidiaries and associates	21	-	827
Net income from financial instruments at fair value	22	37,070	41,633
Fee and commission income related to investment contracts	23	74,285	85,447
Exchange gains – net		4,021	3,183
Other income	24	5,266	4,301
Total income		175,989	198,691
Gross benefits and claims paid	25	(115,568)	(139,037)
Claims ceded to reinsurers	25	43,723	65,006
Gross change in contract liabilities	25	(8,276)	(14,995)
Change in contract liabilities ceded to reinsurers	25	9,471	7,553
Interest expense	26	(361)	(382)
Expenses for the acquisition of insurance and investment contracts	27	(47,394)	(46,033)
Administration expenses	28	(29,500)	(33,581)
Profit before tax		28,084	37,222
Income taxes	30	461	(870)
Profit for the year		28,545	36,352
Other comprehensive income			
Change in fair value of financial assets at fair value through OCI		3,202	1,528
Amount reclassified to profit or loss	22	982	1,577
Re-measurements on post-employment benefit asset	19	(3,655)	114
Currency translation movement		-	(9,456)
Total comprehensive income for the year		29,074	30,115

The notes on pages 13 to 96 are an integral part of these financial statements

UTMOST WORLDWIDE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

All amounts in £000 unless otherwise stated

	Issued Share Capital	Financial Assets at FVOCI	Currency Translation Reserve	Defined Benefit Plan Reserve	Non-Distributable Reserve	Revenue Reserve	Total Equity
As at 1 January 2020	**100,231**	**(1,747)**	**7,635**	**(490)**	**6,742**	**35,265**	**147,636**
Solvency reserve	-	-	-	-	90	(90)	-
Amount reclassified to profit or loss	-	3,202	-	-	-	-	**3,202**
Change in fair value of financial assets at FVOCI	-	982	-	-	-	-	**982**
Re-measurement on post-employment benefit asset	-	-	-	(3,655)	-	-	**(3,655)**
Change in liabilities for insurance contracts with DPF	-	-	-	-	506	(506)	-
Profit for the year	-	-	-	-	-	28,545	**28,545**
Total comprehensive income	-	**4,184**	-	**(3,655)**	**596**	**27,949**	**29,074**
Dividend	-	-	-	-	-	(25,000)	(25,000)
Total transactions with owners	-	-	-	-	-	**(25,000)**	**(25,000)**
At 31 December 2020	**100,231**	**2,437**	**7,635**	**(4,145)**	**7,338**	**38,214**	**151,710**

The notes on pages 13 to 96 are an integral part of these financial statements

UTMOST WORLDWIDE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

All amounts in £000 unless otherwise stated

	Issued Share Capital	Financial Assets at FVOCI	Currency Translation Reserve	Defined Benefit Plan Reserve	Non-Distributable Reserve	Revenue Reserve	Total Equity
As at 1 January 2019	**308,362**	**(4,852)**	**17,091**	**(604)**	**6,497**	**(842)**	**325,652**
Solvency reserve	-	-	-	-	52	(52)	-
Amount reclassified to profit or loss	-	1,577	-	-	-	-	**1,577**
Change in fair value of financial assets at FVOCI	-	1,528	-	-	-	-	**1,528**
Re-measurement on retirement benefit asset	-	-	-	114	-	-	**114**
Change in liabilities for insurance contracts with DPF	-	-	-	-	193	(193)	-
Conversion of 85.738 pence shares to £1 shares	(10,791)	-	10,791	-	-	-	-
Exchange difference on presentation currency change	-	-	(20,247)	-	-	-	**(20,247)**
Profit for the year	-	-	-	-	-	36,352	**36,352**
Total comprehensive income	**(10,791)**	**3,105**	**(9,456)**	**114**	**245**	**36,107**	**19,324**
Repurchase of 230,000,000 1 Euro shares	(197,340)	-	-	-	-	-	(197,340)
Total transactions with owners	**(197,340)**	**-**	**-**	**-**	**-**	**-**	**(197,340)**
At 31 December 2019	**100,231**	**(1,747)**	**7,635**	**(490)**	**6,742**	**35,265**	**147,636**

The notes on pages 13 to 96 are an integral part of these financial statements

All amounts in £000 unless otherwise stated

	Note	2020	2019
Operating activities			
Cash generated from operations before foreign currency exchange, interest and taxes	31	10,635	235,843
Foreign exchange gains/ (losses)		3,821	(2,383)
Interest paid	26	(97)	(65)
Taxes paid		(189)	(630)
Net cash generated from operating activities		**14,170**	**232,765**
Investing activities			
Disposal of shares in Group Companies		-	827
Acquisition of financial assets		(194,634)	(518,870)
Disposal of financial assets		200,087	485,808
Acquisition of tangible assets	5	(372)	(250)
Net cash generated from/ (used in) investing activities		**5,081**	**(32,485)**
Financing activities			
Payments for lease liabilities		(1,389)	(1,353)
Share repurchase		-	(197,340)
Dividends paid		(25,000)	-
Net cash (used in) financing activities		**(26,389)**	**(198,693)**
Net (decrease)/ increase in cash and cash equivalents		**(7,138)**	**1,587**
Cash and cash equivalents at the beginning of the year	11	53,322	51,735
Cash and cash equivalents at the end of the year		**46,184**	**53,322**

1. General Information

The principal activity of Utmost Worldwide Limited ('the Company") is the sale of insurance and investment products. The Company's registered office and principal place of business is Utmost House, Hirzel Street, St Peter Port, Guernsey and the Company has a physical presence in Hong Kong, the Republic of Ireland, Singapore, Switzerland, Cayman and The Bahamas and through a subsidiary in the UAE. The Company has not prepared consolidated financial statements (see note 2.2).

More details about the Company's principal activities, operations and the Laws that govern such activities are set out in the Directors' report on page 1.

On 1 October 2020, there was a group restructure of the wider Utmost Group of Companies (Life Company Consolidation Group (No 2) Limited to be renamed Utmost Topco Limited and all its subsidiaries) 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 end impact on the Company of the restructuring was that its immediate parent is now Utmost International Group Holdings Limited (formerly named UIG Holdings (No 4) Limited); the former immediate parent was Utmost Holdings (Guernsey) Limited (formerly named UIG Holdings (No 6) Limited).

The ultimate parent company which maintains a majority controlling interest in the Group is recognised by the directors as OCM Utmost Holdings Limited (formerly OCM LCCG2 Holdings Limited), a Cayman incorporated entity. OCM Utmost Holdings Limited is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management, L.P., a subsidiary of the ultimate controlling party Oaktree Capital Group Holdings GP, LLC.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation
The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee to the extent they have been adopted by the European Union ("IFRS") and with applicable requirements of the Companies (Guernsey) Law, 2008. The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3. All amounts in the notes are shown in thousands of Sterling Pounds, rounded to the nearest thousand, unless otherwise stated.

2.1.1 New and amended standards and interpretations

The Company applied standards and amendments which have been listed below. These are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

It should be noted that although the following new standards and amendments were applied for the first time in 2020 they had no material effect on the annual financial statements of the Company.

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
Amendments to IFRS 3	Business combinations, definition of a business	1 January 2020
Amendments to IAS 1 and Amendments to IAS 8	Presentation of financial statements and Accounting policies, changes in accounting estimates and errors, definition of material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 January 2020
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting	1 January 2020

Definition of a Business - Amendments to IFRS 3
The IASB issued amendments to the definition of a business to help entities determine whether an acquired set of activities and assets is a business or not. In so doing clarifying minimum requirements for a business, removal of the assessment of whether market participants are capable of replacing any missing elements, adding guidance to help entities assess whether an acquired process is substantive, narrowing the definition of a business and of outputs and introducing an optional fair value concentration test.

Definition of Material – Amendments to IAS 1 and IAS 8
The IASB issued amendments to align the definition of 'material' across the standards and to clarify certain aspects of the definition. Stating that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
The IASB issued amendments providing mandatory application of temporary reliefs which enable hedge accounting to continue during a period of uncertainty before replacing an existing interest rate benchmark with an alternative nearly risk free interest rate. (RFR).

The Conceptual Framework for Financial Reporting (the Conceptual Framework)
The revised Conceptual Framework is not a standard and none of the concepts override those in any standard or any requirement of any standard. It includes some new concepts, provides definitions and recognition criteria for assets and liabilities and clarifies important concepts.

All amounts in £000 unless otherwise stated

2.1.2 *Standards and interpretations effective subsequent to 2020 but not early adopted*

The Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
Amendments to IAS 1	Presentation of financial statements, on classification of liabilities	1 January 2023
IFRS 17	Insurance contracts	1 January 2023

IFRS 17 Insurance contracts - The Company is participating in an Utmost Group led project, with the support of external professional advisers, to assess the applicability and impact of IFRS 17 on its business.

An IFRS 17 implementation plan has been drawn up by external consultants and the local working group with additional direction from Utmost Group.

The build and implementation phases of the project are scheduled for 2021 with the aim to complete as much as possible of the following by 31 December 2021:

- Test environment build;
- Systems and integration testing;
- User acceptance testing;
- Data enhancement and general ledger enhancements;
- Training of management, accountants & actuarial teams; and
- User acceptance testing of financial statements, disclosures and liquidity reporting analysis.

The Company has performed the following:

- an impact analysis on classification and measurement of financial instruments;
- a qualitative assessment of IFRS 4 vs IFRS 17 differences;
- a quantitative assessment of proforma financial statements for IFRS 17; and
- a review of potential changes to data source systems.

With regard to IFRS 9, the Insurance cohort will be recorded under IFRS 17 from 1 January 2023 with the comparative year starting 1 January 2022.

The Company is progressing with its determination of accounting policies with respect to IFRS 17 including options and actuarial methods associated with:

Approximately 17% of the technical liabilities relate to insurance classed business at 31 December 2020, which may be indicative of the expected scope of IFRS 17. The project has delivered a clear direction in 2020 with a view to building and testing of the recommended solution in 2021.

Amendments to IAS 1 Presentation of financial statements – classification of liabilities as current or non-current. The IASB has deferred the effective date by one year to 1 January 2023. The change required is not expected to cause any difficulties as this information is already available and therefore it is only presentational changes of the financial statements that will be required.

2.2 Consolidation

These financial statements are prepared as the Company's separate financial statements. As allowed under IFRS, the Company has not presented consolidated financial statements because it is, itself, a wholly owned subsidiary of Utmost International Group Holdings Limited ("UIGH"), a subsidiary of Utmost Group Limited, which presents consolidated financial statements available for public use.

Moreover, the Company's debt or equity securities are not traded in organized financial markets and the Company is not in the process of filing its financial statements with securities commissions or other regulatory organizations for the purpose of issuing any class of instruments in an organized financial market.

The financial statements of Utmost Group Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and can be found at https://utmostgroup.co.uk/financials/annual-accounts/.

2.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The voting rights and potential voting rights.

The power to govern the financial and operating policies generally accompanies a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The Company's accounting treatment of investments in subsidiaries is to hold at cost less impairment. Gains and losses on disposal of subsidiaries are recorded in the statement of comprehensive income in the year of disposal.

2.2.2 *Associates*

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for at cost less impairment.

2.3 *Foreign currency*

2.3.1 *Functional and presentation currency*

Items included in the financial statements are initially measured in the currency of the transaction and subsequently converted to Pound Sterling, as the Pound Sterling is considered the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in thousands of Pound Sterling, the "Presentation Currency".

2.3.2 *Transactions and balances*

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency based on the rates of exchange ruling at the end of the reporting period.

2.4 *Property and equipment*

All property and equipment is stated at historical cost less depreciation. The initial cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated monthly, as follows:

Furniture and fittings -	3 years;
Computer equipment -	3 years;
Leasehold improvements -	remaining period of the lease.

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. 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 (note 2.8.2). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognised.

2.5 Right-of-use (ROU) assets/ rental lease liabilities

2.5.1 Measurement

For any contracts the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The lease liability on lease commencement date is initially measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate in the currency of the lease payments over the term of the lease. Lease payments include fixed payments less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

The Company separates the lease components from the non-lease component portions and excludes local VAT/ GST where appropriate.

The associated right-of-use assets for property leases are measured at the amount equal to the lease liability and an estimate of any costs to dismantle and remove the asset at the end of the lease.

2.5.2 Subsequent measurement

Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see note 2.8.2).

The lease liability will be subsequently measured by increasing the carrying value to reflect the interest on the lease liability and reduced to reflect the lease payments made. Re-measurement occurs to reflect any reassessment or lease modifications.

The lease liability will be re-measured by discounting the revised lease payments if there are changes in the amounts expected to be payable under any residual value guarantee or if there is a change in the amounts of future payments following a market rent review for example. These adjustments will be taken into account from the date the actual change has taken effect.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from tangible assets and other payables, respectively.

2.6 Computer software

All costs associated with unique software products and with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.7 Financial assets

The Company classifies its investments into the following categories: financial assets at fair value through profit and loss (FA at FVTPL), financial assets at fair value through other comprehensive income (FA at FVOCI), and financial assets measured at amortised cost (FA at AC).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both. The different classification criteria are discussed in more detail below.

2.7.1 Classification of financial assets at fair value through profit and loss

2.7.1.1 Business model assessment

The Business Model is determined at a level that reflects how groups of financial assets are managed together to achieve the business objectives of the entity and does not depend on management's intentions for an individual instrument. This review is not at an instrument-by-instrument classification but at a higher level of aggregation.

The Company has evaluated its business models by portfolios or lines of business.

2.7.1.2 SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the solely payments of principal and interests ("SPPI") test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors.

FA at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

A financial asset is classified as held for trading at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking, or if so designated by management. Derivatives (including embedded derivatives) are also classified as held for trading unless they are designated as hedges and can be demonstrated to be effective as hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets designated as at fair value through profit and loss at inception are those that are held to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit and loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the statement of comprehensive income within net income / (expense) from investments in the period in which they arise.

2.7.2 *Classification of financial assets at fair value through other comprehensive income*

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets; and,
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise debt instruments and had previously been classified as available for sale. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in a response to changes in market conditions. They are not debt instruments which are backing policyholder liabilities at FVTPL which would create an accounting mismatch.

2.7.3 *Financial assets measured at amortised cost*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category loans and receivables and receivables arising from insurance contracts and cash and cash equivalents and accrued income. Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term.

2.7.4 *Recognition and measurement*

Financial assets at amortised cost are recognised initially at fair value plus transaction costs. These are subsequently measured at amortised cost using the effective interest method, less allowance for Expected Credit Loss ("ECL").

The financial assets of the Company measured at amortised cost do not contain a significant financing component, hence, the Company applies a simplified approach in calculating ECL's. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The Company has established processes based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. More detail on credit risk is provided in note 4.4.

Regular way purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

FA at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in net income from investments at fair value. On de-recognition cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss in net income from investments at fair value. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as net income from investments at fair value, when the right to payment has been established.

2.7.5 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

The Company uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity like options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

Financial assets where the fair value is derived using unobservable Level 3 inputs are principally valued using valuations obtained from external parties which are reviewed internally to ensure appropriateness. The majority of these investments are in suspended funds or funds in liquidation, the valuation of which are derived from the best possible amount of proceeds from realisation of the underlying assets. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs is disclosed in note 4.7.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value and model governance policies and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair value of over-the-counter (OTC) derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as the present value technique and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairment.

The fair values of quoted investments are based on current market prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.7.6 *Derecognition of financial assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognised when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.8 Impairment of assets

2.8.1 Impairment of other financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

The key elements used in the calculation of ECLs are as follows:

Probability of default – This is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

Loss given default – This is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

Exposure at default – This represents the gross carrying amount of the financial instruments in the event of default, which pertains to its amortised cost.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company's financial assets at FVOCI comprise solely of quoted bonds that are classed as investment grade and therefore are considered to be low credit risk investments. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company recognizes lifetime ECLs for financial assets that are measured at amortised cost. The ECLs on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets carried at fair value through other comprehensive income
The expected credit loss (ECL) for debt instruments measured at FVOCI 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.

2.8.2 *Impairment of other non-financial assets*

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

2.9 *Derivative financial instruments*

Currently the Company holds no own risk derivatives. Policyholders hold a very small number of derivatives at their own risk.

2.10 *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are subject to insignificant risk of change in value, and bank overdrafts, and for the purposes of presenting the cash flow statement, net of any bank overdrafts (which are presented as borrowings in the statement of financial position).

2.11 *Equity*

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Revaluation reserves comprise gains and losses due to the financial assets at FVOCI; currency translation adjustments and re-measurements of the post-employment defined benefit plan are separately presented in the statement of changes in equity for better understanding of the components of reserves.

Revenue reserves represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared.

Dividends to the Company's shareholder are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.12 *Insurance and investment contracts – classification*

The Company issues investment and insurance contracts. Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts. Some insurance contracts contain a discretionary participation feature ("DPF"). This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Those contracts that invest in the Deposit Administration (Guaranteed Return) fund are classed as insurance contracts with a DPF, as the Company exercises a degree of discretion on the amount and rate at which eligible surplus is released.

Contracts issued by the Company which are unit-linked and do not contain any significant insurance risk are all classified as investment contracts. The majority of the Company's business is unit-linked and classified as investment contracts.

2.13 *Liabilities under investments contracts - measurement*

The fair value of financial liabilities is estimated by discounting the future contractual cash flows measured using the value of the unit reserves, based on the current market value of the assets that is available to the Company for similar financial instruments.

The investment contracts written by the Company do not contain any DPF. Unit linked financial liabilities are measured at fair value by reference to the value of the underlying net asset value, of the underlying assets at the Statement of Financial Position date, with the respective assets and liabilities classified as "Financial assets at fair value through profit and loss" and "Financial liabilities at fair value through profit and loss" respectively in the Statement of Financial Position. The decision by the Company to designate its unit linked liabilities at fair value through profit or loss reflects the fact that the liabilities are calculated with reference to the value of the underlying assets.

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

The Company earns revenue on investment management, administration and other services provided to holders of investment contracts, as detailed in note 2.18.1 and is recognised in fee and commission income related to investment contracts. Revenue is recognised as the services are performed.

The investment contracts may also include embedded derivatives, such as surrender value options, loyalty bonus payments, or the right to cease or reduce premium payments. These derivatives are allowed for in the liability adequacy test in note 2.14.2.

2.14 *Liabilities under life insurance contracts - measurement*

The life insurance contracts arise from four main areas of business: group and individual savings contracts that invest in deposit administration funds, group life and disability insurance, life annuities, and health insurance. These areas of business are classified into three accounting categories, depending on the duration of risk and whether or not the terms and conditions are fixed. The three categories are short-term insurance contracts (group life and disability, health insurance), long-term insurance contracts with fixed and guaranteed terms (annuities), and long-term insurance contracts with DPF (savings funds invested in deposit administration funds).

The insurance liabilities were determined in line with IFRS 4 Insurance Contracts. The liability was computed separately for each insurance contract using surrender, expense and mortality assumptions that reflect the expected experience with appropriate allowance for margins of prudence.

i) Short-term insurance contracts

For all these contracts, premiums are recognised as insurance premium revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders, including their employees or employees' beneficiaries where applicable. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

ii) Long-term insurance contracts with fixed and guaranteed terms

The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is initially based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. The liability is recalculated at the statement of financial position date using assumptions current at the statement of financial position date. A margin for adverse deviations is included in the assumptions.

iii) Long-term insurance contracts with DPF – deposit administration

Deposit administration contracts contain a guaranteed rate of interest of up to 2.5% that varies by currency and reflects government bond yields, for a duration of maximum 3 years. The contracts also contain a DPF based on discretionary bonus rates declared by the Company, to the extent they may exceed the guaranteed rate. The Company targets a surplus funding level of between 5% and 10% and has an obligation to eventually pay to contract holders at least 85% of this surplus.

The Company has established a liability of approximately 94% of the surplus. Shareholders' interest in the surplus (of approximately 6%) is recognised in the statement of comprehensive income. Revenue consists of fees deducted for investment management and policy administration.

2.14.1 *Recognition*

Insurance liabilities are recognised when contracts are entered into and premiums are charged.

2.14.2 *Liability adequacy test*

At each statement of financial position date, liability adequacy tests are performed to assess whether the insurance contract liabilities and investment contract 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 Company'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 expense in the Statement of Comprehensive Income.

2.14.3 *Reinsurance contracts held*

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in note 2.12, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (accepted reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract and are presented as 'Amount ceded to reinsurers from insurance provisions' in the statement of financial position. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in note 2.8.

Premiums ceded to reinsurers
The reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as "Premiums ceded to reinsurers" when due.

Claims ceded to reinsurers
The reinsurers' share of claims incurred, in the profit and loss account as "Claims ceded to reinsurers", reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period.

2.14.4 Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in note 2.8.

2.14.5 Deferred acquisition costs ("DAC")

Commissions that vary with and are related to the acquisition of new investment and insurance contracts are treated as DAC to the extent that the commission relates to the future provision of services by the parties to whom payments are made, when the degree of completeness of the service can be reliably measured and the Company is confident of future economic benefit from the introduction acquired. The movement in DAC is expensed and recognised in the acquisition of insurance and investment contracts line in the statement of comprehensive income over the premium payment term (a period determined by policy features chosen by the contract holder introduced in return for the commission payment) for regular premium business. The periods over which it is expensed range from five to thirty years for regular premium business and thirty years for single premium business. Commissions for which liability arises on completion of a significant act without the expectation of the delivery of further services are recognised in expenses when incurred.

The DAC also includes the client incentive premium when provided to certain Vision contract holders at the outset of the policy. This regular premium is an incentive whereby the contract holder benefited from one to three months free premium at policy inception depending on the premium payment term and premium amount. It is amortised in a straight-line method over the premium payment term. Reviews to assess the recoverability of deferred acquisition costs on investment contracts are carried out at each period end date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the Statement of Comprehensive Income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

The Company has used historic exchange rates in accordance with IFRIC 22, within the determination of its DAC to meet IFRS 15.

2.14.6 Deferred income liability ("DIL")

The DIL represents the charges levied under investment contracts where payment for the services contractually due under such contracts is received in advance of the Company's performance of those services. The full amount of these fees is deferred and is amortised in a straight-line method over the premium payment term for the regular premium Vision product and the amortisation period of 30 years for single premium business (Note 18).

The Company has used historic exchange rates in accordance with IFRIC 22, within the determination of its DIL to meet IFRS 15.

2.14.7 Non-Life insurance contracts

Gross recurring premiums are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised over the period of the policy.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums including minimum and deposit premiums are calculated on a daily *pro rata* basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums and is presented as part of 'Accruals and deferred income and Insurance provisions'.

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

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

2.15 Other expenses

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.16 Taxation

Tax expense recognised in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.17 *Employee benefits*

2.17.1 Pension obligations

The Company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and where the investment risk associated with the pension benefits ultimately available rests with the employee and not the Company. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs and accounted for under IAS 19. Refer to note 19 for the detail.

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

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

2.17.2 Nature of the defined benefit fund

The Company participates in the Utmost Worldwide Limited Defined Benefit Pension Scheme (formerly Assicurazioni Generali SpA Guernsey Resident Pension Fund) ("the DB Pension Scheme"), which is a funded defined benefit arrangement. The DB Pension Scheme is closed to the future accrual of benefits with effect from 31 December 2010. All remaining active members were treated as having left Pensionable Service with effect from that date and their benefits are calculated based on their final pensionable salaries on that date.

The DB Pension Scheme is an approved scheme in Guernsey, under Sections 40(o) and 150, as relevant, of the Income Tax (Guernsey) Law 1975, as amended.

The DB Pension Scheme must comply with the relevant legislation in Guernsey.

The DB Pension Scheme is governed by the directors of a corporate trustee ("the Trustee"). The Trustee is responsible for the fund's investment management and notifies the Company of its investment strategy from time to time. The Trustee is responsible for the exercising of discretionary powers in respect of the fund's benefits, although the decision on whether to allow members to take early retirement resides with the relevant participating employer. The Company has agreed to contribute to the Fund such sums as may be advised by the Trustee acting on advice of the scheme's Actuary, with the proviso that the payment of contributions will be spread over a period of not more than five years from the valuation date.

2.17.3 Exposure to risk of the defined benefit fund

Utmost Worldwide is exposed to the risk that additional contributions will be required in order to fund the fund as a result of poor experience. Some of the key factors that could lead to shortfalls are:

- Investment performance – the return achieved on the fund's assets may be lower than expected.
- Mortality – members could live longer than foreseen. This would mean that benefits are paid for longer than expected, increasing the value of the related liabilities.
- Options for members – members may exercise options resulting in unanticipated extra costs.

The fund currently holds approximately 70% (2019: 69%) of its investments in equities. This exposes the participating employers to the risk of a general downturn in equity markets. In order to assess the sensitivity of the fund's pension liability to these risks, sensitivity analyses have been carried out. Each sensitivity analysis is based on changing one of the assumptions used in the calculations, with no change in the other assumptions. The same method has been applied as was used to calculate the original pension liability and the results are presented in comparison to that liability. It should be noted that in practice it is unlikely that one assumption will change without a movement in the other assumptions, there may also be some correlation between some of these assumptions. It should also be noted that the value placed on the liabilities does not change on a straight-line basis when one of the assumptions is changed. For example, a 2% change in an assumption will not necessarily produce twice the effect on the liabilities of a 1% change.

2.17.4 Restriction of assets of the defined benefit fund

As the fund is currently in surplus it has not been necessary to adjust the statement of financial position items as a result of the requirements of IFRIC 14, The Limit on a Defined Benefit Asset issued by IASB's International Financial Reporting Interpretations Committee.

2.17.5 Fund amendments of the defined benefit fund

There have been no past service costs or settlements in the financial year ending 31 December 2020 nor 31 December 2019, since the Pension Scheme is closed to the future accrual of benefits.

2.17.6 *Funding policy of the defined benefit fund*

The Company is a participating employer in the fund. Following the cessation of accrual of benefits with effect from 31 December 2010, regular contributions to the fund are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation. The contributions made to cover any shortfalls are apportioned based on the liabilities pertaining to each participating employer and the notional assets assigned to that employer.

2.17.7 *Liability to the defined benefit fund*

The Company is responsible for meeting the administration expenses incurred in the operation of the fund. On the withdrawal of the other participating employer from the fund, the Trustees would be responsible for deciding on the terms on which additional funding would be sought from the relevant employer or surplus funds disposed of. The Company has guaranteed that, in the event of winding up the fund, deferred members would receive at least standard transfer values after annuitisation of the pensions in payment and allowance for winding up costs.

2.18 *Revenue recognition*

Revenue comprises the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the Company when those inflows result in an increase in equity, other than increases relating to contributions from equity participants, and is recognition of the fair value of the services provided by the Company. Income other than that arising on recognition of the changes in the value of financial and insurance assets and liabilities is recognised as follows:

2.18.1 *Revenue from contracts with customers*

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Besides general insurance activity, the Company provides insurance-based unit linked savings and investment products. Revenue from contracts with customers is recognised when control of goods and services are transferred to the customer at an amount that reflects the consideration to which the Company is entitled in exchange for those goods or services.

Revenue arising from investment management, administration and other related services offered by the Company in relation to investment contracts is recognised in the accounting period in which the contractual performance obligations are satisfied. Fees consist primarily of investment management and policy administration fees arising from services rendered in conjunction with the issue and management of investment contracts where the Company actively manages, or subcontracts management to related and third parties, the consideration received from its customers in order to attempt to generate a return commensurate with the investment profile that the customer selected on origination of the instrument or varied subsequently. Investment management services comprise the activity of choosing, and instigating trades in, financial instruments to be acquired by or sold from the Company's pools of assets notionally backing the investment component of its liabilities under investment contracts.

Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services being the receipt of premiums for the rendering of these services. The amount recognised is the amount that best reflects the consideration, which the Company expects to receive for the above services. In the cases of investment management fees and ongoing policy administration fees, these services comprise an indeterminate number of acts over the life of the individual contracts, whereas the performance obligations are satisfied over time. For practical purposes, the Company recognises these fees on a straight-line basis over the time of the contract. The Company charges its customers for investment management, administration and other related services using the following different approaches:

Set-up fees are charged to policyholders on inception. Such fees are recognised as charged, as the set up activity constitutes a significant act, which is assessed as a completed performance obligation;

Initial or front-end fees that relate to the provision of investment services are deferred and recognised over the expected term of the policy on a straight-line basis.

Regular fees are charged to policyholders periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is deemed equivalent to the period over which the performance obligation is satisfied. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

The Company also derives income from the services it provides in the establishment of investment contracts and the collection and application of premium thereto. The Company defers the full amount of the establishment fees during the initial period of the regular premium Vision policy being the period during which the initial units are allocated or the initial fees received for single premium business. This is subsequently released in a straight line method over the expected period for which regular premium Vision policy premiums will be collected or the amortisation period of 30 years for single premium business. The balance of this contract liability is shown in Note 18.

2.18.1.1 *Costs to obtain*

Incremental directly attributable costs incurred in acquiring the contract, for example broker commissions, are amortised in a straight line method over the premium payment term. This recognition treatment is consistent with amortising the full amount of the administration fees during the initial period over the premium payment term, which are the revenues derived from the services to the customer to which these costs to acquire relate. Broker commission on single premium business is also amortised in a straight line method over the amortisation period of 30 years.

The client incentive premium, which is a cost to the company at inception is expensed at inception and thereafter amortised over the premium payment term.

2.18.1.2 *Costs to fulfil*

Costs to fulfil are those periodic specific costs relating directly to the contract only, for example renewal commissions. These are expensed as they are incurred which is consistent with the satisfaction of the performance obligations which these costs are utilised to satisfy, and the recognition of the related administration fee generated. This is also consistent with the treatment of the related costs to acquire and administration fee at inception.

2.18.2 Interest income

Interest income for financial assets is recognised using the effective interest method. When a financial asset at amortised cost is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

2.19 Related party relationships and transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include:

(a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company;
(b) associates;
(c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and,
(d) the Company's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

3. Critical accounting estimates and judgments in applying accounting policies

The Company makes assumptions that affect the amounts of assets and liabilities reported within the financial statements.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting judgments

a) Functional currency
As noted in 2.3.1 management considered the Company's functional currency to be Pounds Sterling based on various considerations including the economic environment in which the Company operates.

Given the Company has significant operations in jurisdictions not based in Pounds Sterling, the selection of the functional currency is a critical judgement and accordingly management will continue to assess the functional currency in future periods to ensure it continues to reflect events and conditions relevant to the Company.

Analysis to show the sensitivity of the Company's equity to currency movements is shown in note 4.6.3.

b) Product classification
The Company's classification between which products are insurance contracts and which are investment contracts is detailed in notes 2.12 to 2.14. This is a critical judgement for the Company given the classification dictates the relevant presentation and measurement that is applied to each type of contract in the financial statements.

c) Evaluation of business model applied in managing financial instruments
The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under IFRS 9, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

3.2 Accounting estimation uncertainties

a) Insurance contract liabilities
Insurance contract liability accounting is discussed in more detail in accounting policies 2.12 and 2.14 with further detail of the key assumptions made in determining insurance contract liabilities included in note 15.

Critical amongst these are the assumptions underpinning the classification of a contract as insurance or investment, in accordance with the definitions given in note 2.12, 2.13 and 2.14 and assumptions relating to longevity, as discussed in note 15.2.4.

b) Fair value of financial assets and liabilities
The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policies 2.7, 2.8 and 2.9. Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities (mid for policyholder 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 and discounted cash flow techniques. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and notes 2.7 and 4.7 provides further disclosures on fair value hierarchy and assumptions used to determine fair values. Refer to note 35 for the effect of the Coronavirus pandemic.

c) Deferred income liability (DIL)
Deferred income liability (DIL) is front-end fees received from investment contract holders as a pre-payment for asset management and related services and to cover initial broker commission. These amounts are non-refundable and are released to income as the services are rendered.

The methodology applied to calculate the DIL is based on the initial units allocated on regular premium Vision and initial fees received on Single premium business, amortised in a straight-line method over the premium payment term or the amortisation period of 30 years for single premium business.

d) Deferred acquisition costs (DAC)
Deferred acquisition cost (DAC) is based on initial costs incurred by the Company and relates to investment contract holders. These initial costs comprise of initial commission and client incentive premium. Initial commission is commission payable to the broker at the outset of the policy. The client incentive premium was provided to certain Vision contract holders at the outset of the policy. This regular premium is an incentive whereby the contract holder benefited from one to three months free premium at policy inception depending on the premium payment term and premium amount.

The methodology applied to calculate the DAC is based on the initial commission paid for regular and single premium business and the cost of the client incentive premium on Vision, amortised in a straight-line method over the premium payment term for Vision and 30 years for single premium business.

e) Determination of appropriate discount rate in measuring lease liabilities
The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments are discounted using a reasonable rate deemed by management to be equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

f) Estimation of allowance for ECL

The measurement of the allowance for ECL on financial assets at amortised cost and FA at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and the resulting losses). Explanation regarding the allowance for ECL is discussed further in Note 4.4. Refer to note 35 for the effect of the Coronavirus pandemic.

g) Estimation of useful lives of property and equipment and right-of-use assets

The Company estimates the useful lives of property and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, right-of-use assets and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. There has been no effect on these estimations when reviewed in light of the COVID-19 pandemic.

The carrying amounts of property and equipment and right-of-use assets are analysed in notes 5 and 6, respectively. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

h) *Impairment of non-financial assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 15.2.4). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Refer to note 35 for the effect of the Coronavirus pandemic.

Impairment losses recognized on the Investments in Subsidiaries and Associates, Right-of-Use Assets and Property and Equipment accounts are discussed in Notes 8, 6 and 5 respectively.

i) Valuation of post-employment defined benefit asset

The determination of the Company's asset and obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognised expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 19. Refer to note 35 for the effect of the Coronavirus pandemic.

j) Determination of provision for restoration of leased property

Determining provision for leased property restoration requires estimation of the cost of dismantling and restoring the leased properties to their original condition. The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost would result in a significant change in the amount of provision recognized with a corresponding effect on profit or loss.

k) Income tax positions

The Company operates as stated in multiple jurisdictions in multiple currencies. For each jurisdiction in which the Company operates there is a different tax regime which requires a different local calculation of the Company's taxable profits. Therefore, management deem it necessary to consider each jurisdiction independently for the purposes of tax. Where necessary the Company chooses to consult with specialist tax advisors to ensure that all calculations of tax are prepared in accordance with local requirements.

The taxable profit is provided to the relevant tax authorities on the basis of the local accounting standards and audited financial statements and adjusted as required in each jurisdiction in which the Company operates.

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount of any deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that there are no deferred tax assets recognised as at 31 December 2020 and 2019 as there is not sufficient taxable income in the respective jurisdictions, which these arose from.

4. Management of insurance and financial risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

4.1 Insurance risk

Insurance risk is based on uncertainty, which must exist in at least one of the following ways at the inception of an insurance contract:

i. whether an insured event will (or will not) occur;
ii. when it will occur; or
iii. how much the insurer will need to pay if it occurs (or does not occur)

Across a portfolio of insurance risks, the overall outcome generally becomes more certain, and suitable for statistical analysis. The Company has developed its underwriting strategies and other management techniques to mitigate the Company's exposure to insurance risk.

4.1.1 Insurance risk management

The Company's insurance products are designed to ensure that policies are unambiguous, and hence minimise the risk of the insurance cover having greater scope than that originally intended. Included within the design process are a number of technical, legal and compliance reviews with such risk mitigation as one of the specific aims.

Prior to or at inception, insurance contracts under which the Company accepts significant risk are subjected to an underwriting process. This aims not only to ensure that business is correctly priced, but also to ensure that risk concentrations are identified and exposure limits are not breached. Where necessary, risk is transferred using reinsurance. The Company uses reinsurance for several purposes. In some instances, it is used to decrease the deviation from average claim size for a line of business. This reduces volatility of the result, subject to performance by the reinsurer. In other areas, reinsurance is used to limit the Company's exposure to catastrophe, such as multiple deaths under a group life policy. During the financial period, the Company only purchased cover from reinsurers that met the requirements as set out in the Utmost Worldwide Risk Appetite Statement.

4.1.1.1 Annuity products

The Company has a closed book of annuity business. The main risk in this category is that of longevity. Benchmarking is used to maintain provisions in line with up-to-date developments in life expectancy for the types of lives covered. Assets are closely matched to the estimated liabilities to immunise the Company against interest rate risk for this class of business.

4.1.1.2 Insurance contracts with DPF

Such contracts are treated as insurance under the requirements of IFRS 4, Insurance Contracts. There is no insurance risk attached to such contracts. However, the Company is also exposed to other risks of a financial nature, in particular those created by capital and interest rate guarantees. These are mitigated by actuarial review of bonus sustainability, limited duration and value of guarantees, the imposition of performance monitoring against investment risk guidelines and the ability to impose market value adjustments should they be judged necessary.

4.1.1.3 Unit-linked contracts - Investment

For unit-linked contracts, the Company matches all the assets on which the unit prices are based with assets in the portfolio.

The Company's exposure to market risk (being interest rate, equity price and currency risks) from these contracts is in the risk of volatility in asset management fees due to the impact of interest rate, equity price and currency movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

4.1.1.4 Short term - Health insurance

The Company provides health insurance, principally in the Caribbean, but also as an additional coverage with other policies. Proactive claims management and limited reinsurance cover are the main management techniques employed. The claims are generally low value, high frequency though there is exposure to high value claims. Claims settlement times are generally short.

4.1.1.5 Short term - Death and disability insurance

The Company provides cover for a wide variety of multi-national organisations. Policies are usually renewable annually, and are subject to underwriting processes. The Company seeks to determine whether risk concentrations exist, for example, looking at the exposure to lives assured at single sites or to concentrations within specific industry sectors. There is generally good geographical diversity. Quota share and catastrophe reinsurance is used to limit the Company's exposure. The Company monitors its asset-liability matching in respect of its provisions for long-term disability payments.

4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. The most significant risks relate to market risk and currency risk. The Company segregates various asset and liability categories so that they can be matched, with the aim of minimising the interest rate risk whilst maintaining an appropriate credit quality within each segregated portfolio. Such matching focuses on the typical duration of each class of liabilities, and seeks to ensure that the associated assets' characteristics are similar in nature.

Equity price risk is naturally hedged in some areas, in particular the exposure to unit linked contract holders, as the liability fluctuates in a near-identical fashion. In other areas, management of the equity investments to which the risk relates is delegated to equity investment management specialists or overseen by the Board Investment Committee. As such, the risk is not hedged. Other risks, namely currency, liquidity and cash flow interest rate risk are either controlled at an operational level by the day-to-day application of risk management policies and procedures or overseen by the Board Investment Committee.

The financial assets, which are most exposed to financial risk, are the investments in subsidiaries and associates, derivative financial instruments, amounts ceded to reinsurers from insurance provisions and receivables arising out of direct insurance operations and due from contract holders.

4.2.1 Financial risk management

The Company maintains its monetary assets other than accrued income in short term, floating rate investments, such as cash and term deposits. It manages exposure to foreign currency by converting its income to the reporting currency.

The Company manages these positions within an asset liability management (ALM) framework that has been developed to achieve both efficient matching of financial liabilities to investment contract holders and of the investment element of insurance liabilities to insurance contract holders, and to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

Within the ALM framework, the Company periodically produces reports at portfolio, legal entity and asset and liability class level that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the key characteristics, these being duration and currency for non-linked products. For each distinct class of liabilities, a separate portfolio of assets is maintained. Credit risk is also managed at a portfolio level. The Company has not materially changed the processes used to manage its risks from previous periods.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework. In particular, the ALM Framework requires the management of interest rate risk, equity price risk, credit risk and liquidity risk at the portfolio level. Foreign currency is managed on both a portfolio level and a company wide basis. To reflect the Company risk management approach, the required disclosures for interest rate, equity price and liquidity risks are given separately for each portfolio of the ALM Framework. Credit risk disclosures are provided for the whole Company in note 4.4.

The following tables reconcile the full statement of financial position, including non-monetary assets and liabilities, to the classes and portfolios used in the Company's ALM framework. It is included in the audited financial statements of the Company in order to provide detail to the Hong Kong Insurance Authority in relation to the various Hong Kong business classes in which the Company operates.

All amounts in £000 unless otherwise stated

2020		**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**	**Corporate**	
	Total			**Insurance Contracts**	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets, Liabilities & Equity**
Hong Kong business class		**A**	**C & G**	**C**	**C & H**	**A & Supplementary General**	**N/A**	**N/A**
Investment In subsidiaries & associates	459	-	-	-	-	-	459	-
Financial assets at fair value through OCI:								
Corporate bonds, covered bonds, structured note	104,356	-	-	-	-	-	104,356	-
Government bonds	173,981	-	-	-	38,019	-	135,962	-
Financial assets at fair value through profit and loss:								
Corporate bonds, covered bonds, structured note	249,859	52,923	167,004	-	-	29,932	-	-
Government bonds	281,710	57,324	188,259	-	-	36,127	-	-
Investment funds	18,106	-	11,794	-	-	4,612	1,700	-
Assets backing liabilities - policyholder risk:								
Equity securities	155,081	-	-	-	155,081	-	-	-
Corporate bonds, covered bonds, structured note	116,805	-	-	-	116,805	-	-	-
Government bonds	20,105	-	-	-	20,105	-	-	-
Investment funds	2,821,947			17,402	2,804,545			
Policyholder cash and cash equivalents	221,935	-	-	268	221,667	-	-	-
Other policyholder financial assets	334	-	-	-	334	-	-	-
Derivatives	27	-	-	-	27	-	-	-
Amount ceded to reinsurers from Insurance provisions	92,142	903	-	-	-	91,239	-	-
Receivables arising out of direct insurance operations - due from contract holders	25,871	-	-	-	-	25,505	366	-
Other receivables	1,036	-	-	-	-	30	1,006	-

All amounts in £000 unless otherwise stated

Other assets	213,077	1,701	1,327	-	88	1,010	204,474	4,477
Cash & cash equivalents	40,667	667	600	6,231	-	20,295	12,874	-
Cash – Hong Kong solvency margin held	5,517	710	216	31	196	4,364	-	-
Total assets	**4,543,015**	**114,228**	**369,200**	**23,932**	**3,356,867**	**213,114**	**461,197**	**4,477**

2020	**Total**	**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**	**Corporate**	
				Insurance Contracts	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets, Liabilities & Equity**
Hong Kong business class		**A**	**C & G**	**C**	**C & H**	**A & Supplementary General**	**N/A**	**N/A**
Insurance provisions direct insurance	626,615	86,222	366,982	17,673	-	153,110	2,628	-
Insurance provisions accepted insurance	34,162	21,225	-	-	-	12,937	-	-
Financial liabilities at fair value through profit & loss:								
Investment contracts - policyholder risk	3,303,413	-	-	-	3,303,413	-	-	-
Trade & other payables	45,529	703	332	490	39,947	3,430	627	-
Payables - arising out of direct insurance	2,993	-	-	-	39	-	2,954	-
Payables - arising out of reinsurance operations	79,832	406	-	-	-	76,987	2,439	-
Other liabilities	4,406	-	-	-	-	476	-	3,930
Accruals & deferred income, (debtors) and creditors	294,354	(3,756)	(250)	434	(794)	(38,190)	336,910	-
Shareholder equity	151,711	-	-	-	-	-	-	151,711
Total liabilities and equity	**4,543,015**	**104,800**	**367,064**	**18,597**	**3,342,605**	**208,750**	**345,558**	**155,641**

All amounts in £000 unless otherwise stated

2019		Fixed & guaranteed investment contracts	Annuities	Contracts with DPF	Unit Linked Contracts		Short Term Insurance Contracts		Corporate
	Total				Insurance Contracts	Investment Contracts	Health & Other Insurance	Other Financial Assets & Liabilities	Other Assets, Liabilities & Equity
Hong Kong business class		F	A	C & G	C	C & H	A & Supplementary General	N/A	N/A
Investment in subsidiaries & associates	459	-	-	-	-	-	-	459	-
Financial assets at fair value through OCI:									
Corporate bonds, covered bonds, structured note	61,093	-	-	-	-	-	-	61,093	-
Government bonds	216,769	-	-	-	-	30,044	-	186,725	-
Financial assets at fair value through profit and loss:									
Corporate bonds, covered bonds, structured note	272,291	-	57,757	181,814	-	-	32,720	-	-
Government bonds	273,749	-	52,581	178,627	-	-	42,541	-	-
Investment funds	6,238	-	-	3,329	-	-	2,456	453	-
Assets backing liabilities - policyholder risk:									
Equity securities	139,670	-	-	-	-	139,670	-	-	-
Corporate bonds, covered bonds, structured note	135,231	-	-	-	-	135,231	-	-	-
Government bonds	16,257	-	-	-	-	16,257	-	-	-
Investment funds	2,660,346				15,870	2,644,476			
Policyholder cash and cash equivalents	190,110	-	-	-	108	190,002	-	-	-
Other policyholder financial assets	479	-	-	-	-	479	-	-	-
Derivatives	36	-	-	-	-	36	-	-	-
Amount ceded to reinsurers from Insurance provisions	85,963	-	845	-	21	-	85,097	-	-
Receivables arising out of direct insurance operations - due from contract holders	25,237	-	-	-	-	729	24,508	-	-
Other receivables	1,918	-	-	-	-	-	33	1,885	-
Receivables due from other related parties	221	-	-	-	-	-	-	221	-

All amounts in £000 unless otherwise stated

Other assets	241,823	-	1,831	1,762	-	-	749	231,792	5,689
Cash & cash equivalents	47,895	3,847	-	1,408	-	4,559	14,925	23,156	-
Cash – Hong Kong solvency margin held	5,427	2	709	224	32	217	4,243	-	-
Total assets	**4,381,212**	**3,849**	**113,723**	**367,164**	**16,031**	**3,161,700**	**207,272**	**505,784**	**5,689**

2019	**Total**	**Fixed & guaranteed investment contracts**	**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**	**Corporate**	
					Insurance Contracts	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets, Liabilities & Equity**
Hong Kong business class		**F**	**A**	**C & G**	**C**	**C & H**	**A & Supplementary General**	**N/A**	**N/A**
Insurance provisions direct insurance	614,045	-	84,772	365,384	15,975	-	144,702	3,212	-
Insurance provisions accepted insurance	36,061	-	22,577	-	-	-	13,484	-	-
Financial liabilities at fair value through profit & loss:									
Investment contracts - policyholder risk	3,106,813	-	-	-	-	3,106,813	-	-	-
Investment contracts with fixed terms & guaranteed minimum returns	-								
Trade & other payables	55,845	3,613	-	(10)	-	49,648	322	2,272	-
Payables - arising out of direct insurance	6,212	-	614	335	-	4,327	466	470	-
Payables - arising out of reinsurance operations	79,280	-	226	-	-	-	76,798	2,256	-
Other liabilities	5,606	-	-	-	-	-	814	(217)	5,009
Accruals & deferred income, (debtors) and creditors	329,714	234	(4,665)	(1,184)	(65)	694	(36,153)	370,853	-
Shareholder equity	147,636	-	-	-	-	-	-	-	147,636
Total liabilities and equity	**4,381,212**	**3,847**	**103,524**	**364,525**	**15,910**	**3,161,482**	**200,433**	**378,846**	**152,645**

All amounts in £000 unless otherwise stated

Fixed and guaranteed investment contracts
Investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

4.2.2 *Unit-linked contracts*

For unit-linked contracts, the Company matches all the assets on which the unit prices are based with assets in the portfolio. There is therefore no price, currency, credit or interest risk for the matched elements of these contracts. As stated above, the reduction in the fair value of value of accrued income is exposed to interest rate, foreign exchange and, to a limited extent, equity price risks.

4.3 *Capital Management*

The Company's objectives when managing capital are to comply with regulatory solvency requirements during the financial period and to ensure that it meets its risk-based capital requirements determined internally by the Utmost Group as part of its overall enterprise risk management programme. The regulatory solvency requirements are determined, principally, in accordance with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, and The Insurance Business (Solvency) Rules 2015 as well as with regard to similar requirements relating to the specific activities affected in other jurisdictions in which the Company is licensed.

The Company adopts the Solvency II Standard Formula framework for local regulatory solvency reporting, as approved by letter, from the Guernsey Financial Services Commission dated 10 December 2015. The Solvency II capital requirement is defined by the EU and represents the Company's (Solvency II) value at risk over a 1 year time frame calibrated at a 99.5% confidence level, effectively the loss associated with the worst 1-in-200 year event. The Solvency II capital requirement includes market, credit, counterparty, underwriting and operational risks, and is likely to be reasonable for the Company but may potentially err on the side of caution.

The provisional solvency ratio is summarised below, and is not subject to the audit:

	2020 Provisional (unaudited)	2019 (unaudited)
Eligible own funds (available capital)	315,634	314,922
Solvency capital requirement	173,911	143,959
Solvency II ratio	181%	219%

The Company's Capital Management Policy sets out the framework in which the Company must periodically review the capital position, produce a medium-term capital management plan and regulate the issuance and distribution of capital. The items constituting the Company's capital are shown in the ALM table in note 4.2.1 (valued on an IFRS basis), and include investments of a strategic nature made following due consideration of the Company's objectives.

4.4 Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

Key areas where the Company is exposed to credit risk are:

- debt security holdings;
- loans and advances;
- financial guarantees;
- amounts due under insurance contracts;
- reinsurers' share of insurance liabilities;
- other monetary financial assets, including cash balances at bank.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to differently rated debt securities. Limits on the levels of credit risk for the financial period were based on guidelines issued by Utmost Group, with modification where appropriate to the circumstances of the Company. The Investment Committee, under powers delegated by the Board, carries out monitoring of adherence to the guidelines. The Board Investment Committee undertakes credit assessment in respect of the credit exposures.

Credit risk relating to financial instruments is monitored by the Company's investment team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Company's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

The strength of reinsurers is considered annually in conjunction with advice from the Group. Individual contracts are considered on a case by case where necessary.

The nature of the Company's exposure to credit risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

The Company's financial assets exposed to credit risk are set out below along with the credit rating category of the issuer or counterparty.

All amounts in £000 unless otherwise stated

2020	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Non-Rated**	**Total**
Term deposits	-	-	3,055	-	-	-	2,266	5,321
Financial assets at fair value through OCI:								
Corporate bonds, covered bonds, structured notes	16,254	6,057	71,013	11,032	-	-	-	104,356
Government bonds	123,044	48,483	2,454	-	-	-	-	173,981
Financial assets at fair value through profit & loss:								
Corporate bonds, covered bonds, structured notes	25,798	119,149	74,153	29,588	252	-	919	249,859
Government bonds	102,957	172,060	3,812	2,461	-	-	419	281,709
Amount ceded to reinsurers	-	-	92,142	-	-	-	-	92,142
Receivables including insurance receivables	-	-	4,244	-	-	-	22,664	26,908
Subsidiaries and associates	-	-	-	-	-	-	459	459
Cash and cash equivalents	-	2,784	33,502	-	-	-	4,577	40,863
Total	268,053	348,533	284,375	43,081	252	-	31,304	975,598

2019	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Non-Rated**	**Total**
Term deposits	-	5,105	1,121	-	-	-	2,521	8,747
Financial assets at fair value through OCI:								
Corporate bonds, covered bonds, structured notes	13,488	14,392	27,125	6,088	-	-	-	61,093
Government bonds	102,988	111,791	1,990	-	-	-	-	216,769
Financial assets at fair value through profit & loss:								
Corporate bonds, covered bonds, structured notes	36,092	125,386	90,687	19,290	-	-	836	272,291
Government bonds	95,370	175,414	762	2,203	-	-	-	273,749
Amount ceded to reinsurers	-	-	-	85,942	-	-	21	85,963
Receivables including insurance receivables	-	-	-	-	-	-	27,376	27,376
Subsidiaries and associates	-	-	-	-	-	-	459	459
Cash and cash equivalents	-	27,019	12,972	-	-	-	4,583	44,574
Total	247,938	459,107	134,657	113,523	-	-	35,796	991,021

In 2020 a provision of £1.4 million has been made for one specific commercial insurance contract, representing 100% of the premiums that are 30 days past due. Management have made the provision by offsetting the receivable against the payables relating to the same insurance contract and counterparty as there is a precedent which allows the Company and the counterparty to do so.

Ratings for both years are as per the latest ratings from S&P.

All amounts in £000 unless otherwise stated

Industry Analysis

2020	**Financial Services**	**Government**	**Consumers**	**Construction & Materials**	**Manufacturing**	**Services**	**Total**
Term deposits	5,321	-	-	-	-	-	5,321
Financial assets at fair value through OCI:							
Debt securities	45,818	173,981	-	-	51,272	7,265	278,336
Financial assets at fair value through profit & loss:							
Debt securities	127,508	281,709	11,444	246	91,694	18,968	531,569
Amount ceded to reinsurers	92,142	-	-	-	-	-	92,142
Receivables including Insurance receivables	26,908	-	-	-	-	-	26,908
Subsidiaries and associates	459	-	-	-	-	-	459
Cash and cash equivalents	40,863	-	-	-	-	-	40,863
Total	339,019	455,690	11,444	246	142,966	26,233	975,598

2019	**Financial Services**	**Government**	**Consumers**	**Construction & Materials**	**Manufacturing**	**Services**	**Total**
Term deposits	8,748	-	-	-	-	-	8,748
Financial assets at fair value through OCI:							
Debt securities	72,868	186,778	866	-	17,350	-	277,862
Financial assets at fair value through profit & loss:							
Debt securities	169,157	246,980	33,662	479	92,753	3,009	546,040
Amount ceded to reinsurers	85,963	-	-	-	-	-	85,963
Receivables including Insurance receivables	27,376	-	-	-	-	-	27,376
Subsidiaries and associates	459	-	-	-	-	-	459
Cash and cash equivalents	44,573	-	-	-	-	-	44,573
Total	409,144	433,758	34,528	479	110,103	3,009	991,021

Industry analysis for both years is derived with reference to the NACE codes (an industry standard classification used throughout Europe).

The Company did not use credit derivative or similar instruments to mitigate the maximum exposure to credit risk.

The change in fair value of financial liabilities, both in the period and cumulatively, is considered attributable solely to changes in conditions giving rise to market risk.

The strength of reinsurers is considered annually in conjunction with advice from the Utmost Group.

A master netting agreement, under which multiple individual transactions are subsumed, usually constitutes netting arrangements. For derivative contracts, statement of financial position offsetting is generally only permitted where a market settlement mechanism exists which accomplishes net settlement through a daily cash margining process. The Company has the legal right to offset the reinsurance deposits included in the table in note 17 against the receivables due from the reinsurers, which have arisen from reinsurance contracts, included in note 10.

4.5 Liquidity risk

Maturity analysis of financial liabilities and assets

The following tables summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on the remaining undiscounted contractual obligations including interest payable and receivable.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on an estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Unit-linked liabilities are repayable or transferable on demand and are included in the up to a year column. Repayments which are subject to notice are treated as if notice were to be given immediately.

The Company maintains a portfolio of highly marketable and diverse assets which can be easily liquidated in the event of an unforeseeable interruption of cash flow.

Cash flows, which have no maturity, are shown in the period in which they could first be called by the policyholder or counterparty. This includes all protection policies for which the cash flows have been assumed to be equal to the liability and payable in the first 0 – 5 years. Cash flows payable in years 5 and beyond relate to outstanding long-term disability claims and annuity payments. The valuation of such liabilities excludes any surrender penalties that the Company has the option of imposing in such circumstances.

Notwithstanding the above, any policy can be surrendered at any time, and all financial and insurance liabilities to contract holders are therefore shown with a minimum maturity of 0-1 years. In practice, this is extremely unlikely to happen. The Company has the general right to delay any surrender or surrenders to protect the interest of other policyholders and more specifically, may reflect the settlement terms achieved on the disposal of assets in the terms it offers on the settlement of liabilities backed by those assets.

All amounts in £000 unless otherwise stated

2020			**Cash Flows Due**			
	< 1 Year	**1-5 Years**	**5-10 Years**	**10-20 Years**	**>20 Years**	**Carrying Value**
Investment in subsidiaries and associates	-	-	-	-	459	459
Financial assets at fair value through OCI	25,589	212,936	39,811	-	-	278,336
Financial assets at fair value through profit or loss	78,887	301,106	103,092	43,500	23,090	549,675
Assets backing liabilities - Policyholder risk:	3,219,067	74,629	32,470	2,778	7,291	3,336,235
Receivables including insurance receivables	26,908	-	-	-	-	26,908
Amounts ceded to reinsurers	32,280	9,677	11,859	32,177	6,149	92,142
Accrued income not including DAC	6,940	-	-	-	-	6,940
Cash and cash equivalents	46,184	-	-	-	-	46,184
Total financial assets	3,435,855	598,348	187,232	78,455	36,989	4,336,879
Insurance provisions	55,368	376,688	67,169	118,958	42,595	660,778
Investment contracts where the risk is borne by the contract / policyholder	3,148,768	124,908	78	137	29,522	3,303,413
Payables including insurance payables	128,703	-	-	-	-	128,703
Total financial liabilities	3,332,839	501,596	67,247	119,095	72,117	4,092,894

All amounts in £000 unless otherwise stated

2019	Cash Flows Due					
	< 1 Year	1-5 Years	5-10 Years	10-20 Years	>20 Years	Carrying Value
Investment in subsidiaries and associates	-	-	-	-	459	459
Financial assets at fair value through OCI	99,528	178,334	-	-	-	277,862
Financial assets at fair value through profit or loss	85,390	300,073	103,312	43,818	19,685	552,278
Assets backing liabilities - policyholder risk:	3,016,735	83,579	31,749	2,593	7,473	3,142,129
Receivables including insurance receivables	27,376	-	-	-	-	27,376
Amounts ceded to reinsurers	42,905	3,310	19,474	18,131	2,143	85,963
Accrued income not including DAC	8,517	-	-	-	-	8,517
Cash and cash equivalents	53,322	-	-	-	-	53,322
Total financial assets	3,333,773	565,296	154,535	64,542	29,760	4,147,906
Insurance provisions	61,345	403,438	20,878	18,450	145,995	650,106
Investment contracts where the risk is borne by the contract / policyholder	2,968,728	111,778	81	183	26,043	3,106,813
Payables including insurance payables	141,933	-	-	-	-	141,933
Total financial liabilities	3,172,006	515,216	20,959	18,633	172,038	3,898,852

4.6 Market risks

The Company's primary exposure to market risk is the impact of equity price and currency movements on the fair value of the assets held in the linked funds, on which the fees are based.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

Refer to note 35 for the effect of the Coronavirus pandemic.

4.6.1 Interest-rate risk

Interest-rate risk is one of the principal risks the Company faces. It is relevant not only to insurance and investment contracts but also to the Company's management of its own assets not specifically or notionally backing particular liabilities.

The major product categories affected by interest-rate risk are annuities, guaranteed-return contracts and Insurance with DPF contracts. Annuities, because of their long-term nature, are particularly sensitive to interest-rate risk. Accordingly, the Company imposes tight control over the matching of key criteria to minimise the risk taken. In respect of contracts with DPF, the Company has limited exposure provided that the attributable assets are greater than the liabilities. However, should the position reverse and liabilities be greater than assets then the full shortfall would become the Company's liability. The Company also has contractual rights to impose market value adjustments in order to treat all contract holders fairly.

The Company has entered into a number of investment contracts that guarantee a minimum return, whereby a proportion of any surplus becomes due to the Company, but all of any deficit would be met by the Company. The process for the management of assets backing such liabilities takes due regard for such asymmetries. For short-term insurance contracts, the Company has matched the insurance liabilities with cash and short-term debt.

The EU Solvency II requires an interest rate up-stress calibrated at approximately 1% (in low interest rate environments) to be considered. Based on this analysis, the Company's own assets would fall by £7,655 in the event of interest rates increasing by approximately 1% (2019: £4,579).

4.6.2 Price risk

A 10% fall in world indices would result in a loss of £1,566 (2019: £1,649) based on the Company's own equity holdings.

A decrease of 10% in the value of the assets would reduce the asset management fees by £5,097 per annum (2019: £4,843).

Whilst there is significant exposure to the equity market from policyholder investments, equity price falls have no immediate impact on the statement of financial position by virtue of the reserving methodology adopted for investment classed business. The Company does not back any of its insurance contracts with equity and has limited equity exposure from shareholder investments, with the main source of risk being via the Company's Defined Benefit Pension Scheme.

All amounts in £000 unless otherwise stated

Equity price falls do however result in a fall in fee income, and therefore are detrimental to future profits.

4.6.3 *Foreign currency risk*

The Company's ALM framework focuses on matching of currency exposures at a portfolio level.

The Company operates in international markets. Its non-GBP currency exposures are principally to USD and EUR. The assets and liabilities related to insurance and investment contracts are matched by currency as part of the Company's asset liability matching strategy. Exposures from operating activities, therefore, are limited to the emerging profit or loss.

In assessing the Company's net currency exposure reference has been made to the statement of financial position for financial assets and liabilities where the currency risk is experienced by the Company and not by the policyholders. Based on this analysis, the net exposure to currencies other than GBP amounts to £19,990 at 2020 (compared to £18,659 of non-GBP currencies at 2019) as shown in more detail in the table below:

	Net USD position	Net EUR position	Net other currency positions	Total net exposure
As at 31 December 2020	(61,308)	28,102	13,216	**(19,990)**
As at 31 December 2019	(37,018)	26,026	(7,577)	**18,659**

The following sensitivity analysis shows the effect on the statement of comprehensive income/ net assets should the GBP foreign currency exchange rate strengthen or weaken by 5%:

	Net USD position		**Net EUR position**		**Net other currency positions**		**Total net exposure**
	GBP Strengthens	GBP Weakens	GBP Strengthens	GBP Weakens	GBP Strengthens	GBP Weakens	
As at 31 December 2020	(3,065)	3,065	1,405	(1,405)	661	(661)	**+/-1,000**
As at 31 December 2019	(1,855)	1,855	1,301	(1,301)	(379)	379	**+/-933**

The longer-term risks of a GBP appreciation is that future profits will be supressed by virtue of significant proportion of fee income being non-GBP denominated.

No forward foreign exchange rate contracts were entered into during the year.

4.7 Fair value hierarchy

Fair value 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes places either:

In the principal market for the asset or liability; or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liabilities, assuming the market participants act in their economic best interests.

A fair measurement of non-financial assets takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

All amounts in £000 unless otherwise stated

The following table shows the fair value measurement hierarchy of the Company's assets and liabilities as at 31 December 2020:

	Fair Value Measurement Using			
2020	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets				
Financial assets at fair value through OCI				
Debt security	278,337	-	-	278,337
Total financial assets at fair value though OCI	278,337	-	-	278,337
Financial assets at fair value through profit & loss				
Debt security	530,597	-	972	531,569
Investment funds	18,054	-	52	18,106
Investment back to policies where the risk is borne by the policyholder	3,325,022	-	11,212	3,336,234
Total financial assets at fair value through profit & loss	3,873,673	-	12,236	3,885,909
Total financial assets	**4,152,010**	**-**	**12,236**	**4,164,246**
Equity & liabilities				
Investment contracts at fair value through profit & loss	-	3,291,177	12,236	3,303,413
Total financial liabilities	**-**	**3,291,177**	**12,236**	**3,303,413**

All amounts in £000 unless otherwise stated

	Fair Value Measurement Using			
2019	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets				
Financial assets at fair value through OCI:				
Debt security	277,862	-	-	277,862
Total financial assets at fair value through OCI	277,862	-	-	277,862
Financial assets at fair value through profit & loss:				
Debt security	545,047	-	993	546,040
Investment funds	6,124	-	114	6,238
Investment back to policies where the risk is borne by the policyholder	3,138,155	-	3,974	3,142,129
Total financial assets at fair value through profit & loss	3,689,326	-	5,081	3,694,407
Total financial assets	**3,967,188**	**-**	**5,081**	**3,972,269**
Equity & liabilities				
Investment contracts at fair value through profit & loss	-	3,101,732	5,081	3,106,813
Total financial liabilities	**-**	**3,101,732**	**5,081**	**3,106,813**

All amounts in £000 unless otherwise stated

The following table presents the changes in Level 3 instruments for the year ended 31 December 2020 and 2019.

	FA at FVTPL			
2020	**Debt securities**	**Investment funds**	**Investment back to policies – policy holder risk**	**Total**
Opening balance	993	114	3,974	5,081
Purchases / (sales)	(97)	-	(47)	(144)
Unrealised gains / (losses)	76	(62)	3,292	3,306
Transfer from level 1 to level 3	-	-	3,993	3,993
Closing balance	972	52	11,212	12,236

	FA at FVTPL			
2019	**Debt securities**	**Investment funds**	**Investment back to policies – policy holder risk**	**Total**
Opening balance	1,128	114	5,769	7,011
Purchases / (sales)	-	-	(1,545)	(1,545)
Unrealised gains / (losses)	(135)	-	(1,053)	(1,188)
Transfer from level 1 to level 3		-	821	821
Transfer from level 3 to level 1			(18)	(18)
Closing balance	993	114	3,974	5,081

The investment back to policies –policyholder risk, level 3 instruments, as at 31 December 2020, are made up of the investments where the asset has been placed into liquidation/ administration/ suspension or any such non-tradable status valued at the last available quoted price, reduced in line with the company's price write down policy. The policy is applied when no new prices are made available and where the updates received do not allow the Company to reasonably establish a revised value.

The price is reduced by 50% effective 3 months after last quoted price and to £0.01 effective 6 months after last quoted price or where there is a liquidation appointment. Where the administration issue is resolved, the asset price is reset to that provided by the responsible party.

All movements throughout the year are recognised in unrealised gains and losses.

The own risk Level 3 instruments at 31 December 2020 made up of financial assets at fair value through profit or loss comprise:

	Holding	Issuer	Name	Value £ 000's
Financial asset at fair value through income: Debt security	1,000,000	Eirles Three 182	Var 01/05/2032	919
	51,763	Road Management Consolidated Plc	9.18% bds 10/6/21 GBP (10/6,12)	53
Financial asset at fair value through income: Investment funds	793,502	Tapestry Investment Co PCC	Red Ptg Pref NPV Post Red Nov	52

Eirles Three 182 is valued monthly from valuations received from Deutsche Bank.

Road Management Consolidated plc is calculated by the Company on the assumption of full repayment of the bond at maturity. No account has been taken of issuer or interest rate risk, as the outstanding amount represents 5% of the original amount issued which is mitigated by the Capital amounts held by the issuer against a bond.

Tapestry Investments Co PCC is in the process of liquidation and the value is based on the last available net asset value received from the liquidator less distributions received subsequently.

All amounts in £000 unless otherwise stated

5. Property and equipment

	Furniture and Fittings	Leasehold Improvements	Total
Year End 31 December 2020			
Opening net book amount	249	586	835
Additions	372	-	372
Reallocation	410	(410)	-
Depreciation charge	(460)	(28)	(488)
Closing net book amount	571	148	719
At 31 December 2020			
Cost	6,600	740	7,340
Reallocation	410	(410)	-
Accumulated depreciation	(6,439)	(182)	(6,621)
Net book amount	571	148	719
Year End 31 December 2019			
Opening net book amount	1,040	194	1,234
Disposal	(414)	-	(414)
Additions	250	-	250
Adjustment to cost	(12)	420	408
Depreciation charge	(615)	(28)	(643)
Closing net book amount	249	586	835
At 31 December 2019			
Cost	6,240	320	6,560
Accumulated depreciation	(5,979)	(154)	(6,133)
Adjustment to cost	(12)	420	408
Net book amount	249	586	835

Depreciation expense of £488 (2019: £643) has been charged in administrative expenses. All tangible assets are non-current assets.

All amounts in £000 unless otherwise stated

6. Right-of-use assets

	Property	Total
Year-end 31 December 2020		
Opening amount	4,913	4,913
Additions	181	181
Depreciation charge	(1,209)	(1,209)
Closing amount	3,885	3,885
Year-end 31 December 2019		
Opening amount	6,098	6,098
Depreciation charge	(1,185)	(1,185)
Closing amount	4,913	4,913

7. Lease liability

	Property	Total
Year-end 31 December 2020		
Opening amount	5,010	5,010
Additions	181	181
Interest charge	264	264
Lease payment	(1,389)	(1,389)
Exchange difference	(9)	(9)
Closing amount	4,057	4,057
Year-end 31 December 2019		
Opening amount	6,098	6,098
Interest charge	317	317
Lease payment	(1,353)	(1,353)
Exchange difference	(52)	(52)
Closing amount	5,010	5,010

	2020	2019
Current portion	1,071	1,057
Non-current portion	2,986	3,953
Closing amount	4,057	5,010

The service charges relating to these lease contracts are included within administration charges (note 28) and amounts to £238 (2019: £1,385).

All amounts in £000 unless otherwise stated

8. Investments in subsidiaries and associates

	2020	2019
As at 1 January	459	267
Acquisition of subsidiaries	-	192
As at 31 December – cost	459	459
Impairment	-	-
As at 31 December – cost less impairment	459	459

	Country of Incorporation	% of Ordinary Shares Held 2020	% of Ordinary Shares Held 2019	Date Acquired	Principal place of business
Subsidiaries					
Utmost Portfolio Management Limited	Guernsey	100	100	9 August 2007	Utmost House, Hirzel Street, St Peter Port, Guernsey
Utmost Worldwide (DIFC) Limited	DIFC, UAE	100	100	8 April 2019	Unit OT 17-31, Level 17, Central Park Offices, Dubai International Financial Centre, UAE
Utmost Worldwide Employee Pensions Scheme Limited (formerly Winged Lion Pensions Limited)	Guernsey	100	100	5 September 2019	Utmost House, Hirzel Street, St Peter Port, Guernsey

All amounts in £000 unless otherwise stated

9. Financial assets

The Company's financial assets are summarised by measurement category in the table below.

	Note	2020	2019
Financial assets at fair value through profit & loss	9.1	3,885,909	3,694,407
Financial assets at fair value through OCI	9.2	278,337	277,862
Financial assets at amortised cost			
Amounts ceded to reinsurers from insurance provisions	15	92,142	85,963
Receivables including insurance receivables	10	26,908	27,376
Cash & cash equivalents	11	46,184	53,322
Total financial assets		4,329,480	4,138,930

9.1 Financial assets at fair value through profit and loss

	2020	2019
Financial assets at fair value through profit & loss:		
Debt Securities:		
Corporate bonds, covered bonds, structured notes	249,859	272,291
Government bonds	281,709	273,749
Investment funds	18,106	6,238
Assets backing liabilities - policyholder risk:		
Equity securities	155,081	139,670
Debt securities - fixed interest rate:		
Corporate bonds, covered bonds, structured notes	116,805	135,231
Government bonds	20,105	16,257
Investment funds	2,821,948	2,660,346
Derivatives	27	36
Cash	221,935	190,110
Other short term investments	334	479
Financial assets at fair value through profit & loss	3,885,909	3,694,407

All amounts in £000 unless otherwise stated

	Financial Assets at fair value through profit & loss
As at 1 January 2019	3,667,685
FV net gain recognised (excluding net realised gains or losses) in profit and loss	398,094
Additions	1,030,187
Disposals (sales and redemptions)	(1,251,614)
Reclassification	(34,581)
Foreign exchange movement	(115,364)
As at 31 December 2019	**3,694,407**
FV net gain recognised (excluding net realised gains or losses) in profit and loss	243,102
Additions	930,050
Disposals (sales and redemptions)	(967,019)
Foreign exchange movement	(14,631)
As at 31 December 2020	**3,885,909**

In some instances, policyholder risk assets may be subject to a charge in favour of a third party. Under the terms of the charge any liability arising will be settled from the relevant policyholder risk assets.

All amounts in £000 unless otherwise stated

9.2 Financial assets at fair value through OCI

	2020	2019
Financial assets at fair value through OCI:		
Debt Securities:		
Corporate bonds, covered bonds, structured notes	104,356	61,093
Government bonds	173,981	216,769
Financial assets at fair value through OCI	278,337	277,862

	Financial Assets at fair value through OCI
As at 1 January 2019	254,973
Unrealised net gain recognised (excluding net realised gains or losses) through OCI	1,528
Additions	527,459
Disposals (sales and redemptions)	(496,835)
Foreign exchange movement	(9,263)
As at 31 December 2019	**277,862**
Unrealised net gain recognised (excluding net realised gains or losses) through OCI	4,184
Additions	194,634
Disposals (sales and redemptions)	(200,087)
Foreign exchange movement	1,744
As at 31 December 2020	**278,337**

All amounts in £000 unless otherwise stated

10. Receivables including insurance receivables

	2020	**2019**
Receivables arising out of direct insurance contracts:		
Due from contract holders	21,629	23,641
Receivables arising from reinsurance contracts:		
Due from contract holders	4,242	1,596
Other receivables:		
Receivables due from other related parties	538	221
Incomes tax receivables	184	76
Investment trade settlements due	-	1,366
Other	315	476
	26,908	27,376

All the outstanding receivables fall due within one year and are therefore classified as current.

Investment trade settlements are effected against delivery or payment, eliminating the counterparty risk.

11. Cash and cash equivalents

Cash and cash equivalents include the following:

	2020	**2019**
Cash at bank	40,863	44,575
Short term deposits	5,321	8,747
Cash and Cash Equivalents	46,184	53,322

The year-end effective USD interest rate on short-term bank deposits was 0.10% (2019 1.50%). With no interest rates being offered currently on any of the other major currencies (2019 GBP 0.60%, SGD 1.23%) no deposits other than USD are currently being placed.

Income earned from all call and term deposit accounts amounts to £936 (2019: £2,506).

12. Accrued income and prepayments

	2020	2019
DAC	201,495	223,938
Bond interest	3,693	4,300
Other prepayments	1,846	706
Other accrued income	1,401	3,511
Total accrued income and prepayments	208,435	232,455
Current portion	20,811	23,587
Non-current portion	187,624	208,868
Total accrued income and prepayments	208,435	232,455

	2020	2019
Deferred acquisition costs at 1 January	223,938	247,061
Acquisition costs capitalised during the year	11,715	8,119
Acquisition costs released during year	(34,158)	(31,242)
Deferred acquisition costs at 31 December	201,495	223,938

13. Share Capital

	Authorised Shares	Issued Shares	Total Share Capital
As at 31 December 2019	150,000,000	100,230,699	100,230,699
As at 31 December 2020	150,000,000	100,230,699	100,230,699

All amounts shown represent actual figures and not rounded or '000's of amounts.

All amounts in £000 unless otherwise stated

14. Reserves

	2020	2019
Hong Kong required solvency margin	5,517	5,427
Equity component reserve	1,821	1,315
Non-distributable reserve	7,338	6,742
Unrealised gains / (losses) on FA at FVOCI	2,437	(1,747)
Currency translation reserve	7,635	7,635
Retirement benefit plan reserve	(4,145)	(490)
Revenue reserve	38,214	35,265
Total reserves excluding share capital	51,479	47,405

Hong Kong required solvency margin

The Company has designated certain retained earnings as non-distributable in the normal course of business, in order to comply with Hong Kong regulatory solvency requirements.

Equity component of discretionary participation feature (DPF)

The Company has implemented the advice of its Appointed Actuary in designating the equity component of DPF as non-distributable in the normal course of business.

The equity component of DPF originates from insurance contracts with DPF. The holders of these contracts can receive, as a supplement to guaranteed benefits, additional benefits each year arising from discretionary bonuses declared by the Company. There are participation rules defined in each contract, which determine the proportion of bonuses declared that are allocated to contract holders. The residual unallocated part of the bonuses declared are allocated to the Company's shareholders.

The assets backing the DPF are segregated. The expected allocation of future bonuses to contract holders from the current surplus is recognised as a liability; the remainder of the surplus is recognised as the equity component of the DPF. Contract holders do not have an automatic right to receive such surplus and shareholders are not fully entitled to consider any portion of such surplus as distributable retained earnings until the allocation between contract holders and shareholders takes place. The surplus will reduce should the underlying investments fall in value without a corresponding fall in the liability to policyholders.

Currency translation reserve

The currency translation reserve arose on the redenomination in 1999 of the Company's share capital with additional amounts noted in this reserve to reflect the changes made to the presentation currency on the sale of the Company to the Utmost Group in 2019.

Revenue reserve

The revenue reserve forms the balance of the shareholders' equity. It is fully distributable, subject to the constraints imposed by the requirements of the Company (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002.

All amounts in £000 unless otherwise stated

15. Insurance liabilities and reinsurance assets

	2020	2019
Non-life insurance contracts		
Claims reported & loss adjustment expenses - direct business	23,586	16,965
Claims incurred but not reported - direct business	33,653	45,866
Unearned premiums	10,455	13,508
Short term insurance contracts		
Claims reported & loss adjustment expenses - direct business	73,344	56,992
Claims incurred but not reported - direct business	4,236	4,375
Unearned premiums	7,091	6,622
Provision for profit sharing	702	333
Long term insurance contracts		
Mathematical provision - direct business	453,248	450,196
Provision for policies where the investment risk is borne by the policyholder	15,888	14,486
Provision for liability adequacy	4,412	4,702
Insurance liabilities - direct business	626,615	614,045
Non-life insurance contracts		
Claims reported & loss adjustment expenses – reinsurance accepted	7,190	131
Claims incurred but not reported – reinsurance accepted	5,747	13,353
Long term insurance contracts		
Mathematical provision - reinsurance accepted	21,225	22,577
Insurance liabilities - reinsurance accepted	34,162	36,061
Total insurance liabilities - gross	660,777	650,106

All amounts in £000 unless otherwise stated

	2020	2019
Recoverable from reinsurers		
Non-life insurance contracts		
Claims incurred but not reported - direct business	(6,248)	(10,345)
Unearned premiums	(10,455)	(13,508)
Short term insurance contracts		
Claims reported & loss adjustment expenses - direct business	(66,022)	(52,869)
Claims incurred but not reported - direct business	(3,528)	(3,649)
Unearned premiums	(4,891)	(4,620)
Provision for profit sharing	(95)	(106)
Long term Insurance contracts		
Mathematical provision - direct business	(903)	(845)
Provision for policies where the investment risk is borne by the policyholder	-	(21)
Total reinsurers share of insurance liabilities	(92,142)	(85,963)
Net position	568,635	564,143

	2020	2019
Net position is made up as follows		
Non-life insurance contracts		
Claims reported & loss adjustment expenses - direct business	30,776	17,095
Claims incurred but not reported - direct business	33,152	48,874
Short term Insurance contracts		
Claims reported & loss adjustment expenses - direct business	7,322	4,124
Claims incurred but not reported - direct business	708	726
Unearned premiums	2,200	2,002
Provision for profit sharing	607	227
Long term Insurance contracts		
Mathematical provision	473,570	471,928
Provision for policies where the investment risk is borne by the policyholder	15,888	14,465
Provision for liability adequacy	4,412	4,702
Total insurance liabilities - net	568,635	564,143

15.1 Non-life insurance contracts (excluding those covering life risks) – assumptions, change in assumptions and sensitivity

Process used to determine the assumptions for reserving

Medical claims reserves are developed using accepted actuarial reserving techniques in compliance with Actuarial Standard of Practice 5, "Incurred Health and Disability Claims", a methodology which is commonly used in the healthcare industry. The Development (or Lag) Method is used where historical claims data is collected by paid and incurred date. This data is used to estimate the percentage or amount of completion needed to project all future claims incurred prior to the valuation date. "Completion factors" are estimated for each incurred month based on historical claim payment patterns. If large claims data is available with paid and incurred dates, the historical patterns may be modified to exclude the effect of these claims. Completion factors for the most recent months are often too volatile to use. Therefore, for the most recent months, completion patterns are reviewed and significant judgement is applied because of the substantial fluctuations in historical completion percentages for these immature months.

Commercial claims reserves consist of gross claims received but as yet un-validated (as assessed by the third party claims managers) and Claims Incurred But Not Reported (IBNR). The IBNR reserve is an assessment of future claims incurred prior to the valuation date and is based on historic triangulated claims data.

These methodologies were used consistently for prior year comparisons.

15.2 Long-term and short-term life insurance contracts – key assumptions

15.2.1 Longevity assumptions

Longevity assumptions are used in the assessment of the liability for the annuity product. The assumptions reflect both the Company's longevity experience as well as standard published tables. Future mortality improvements are allowed for, based on trends identified in the Continuous Mortality Investigations of the Institute and Faculty of Actuaries. These assumptions are needed due to the long-term nature of the annuity product. The assumptions were reviewed in 2020.

15.2.2 Other assumptions

Other assumptions have less impact on liabilities, reflecting the nature of the products, asset-liability matching, and risk reinsurance. These assumptions include surrender rates, and expected claim durations.

All amounts in £000 unless otherwise stated

15.2.3 Economic reference data

The economic assumptions are based on the following reference data:

		2020	**2019**
		%	**%**
UK Government Bond Yields	5 Year	(0.04)	0.80
	10 Year	0.22	0.83
	20 Year	0.71	1.31
Index Linked Real Yields	10 Year	(2.91)	(2.38)
European Government Bond Yields	5 Year	(0.68)	(0.40)
	10 Year	(0.43)	0.00
	20 Year	(0.19)	0.32
US Agency Bond Yields	5 Year	0.36	1.71
	10 Year	0.90	1.93
	20 Year	1.39	2.26
Swiss Government Bond Yields	5 Year	(0.72)	(0.65)
	10 Year	(0.51)	(0.43)
	20 Year	(0.31)	(0.16)
Cash Rates	GBP	0.00	0.00
	USD	0.00	0.72
	EUR	0.00	0.00
Corporate Credit Spreads Over A Rated Corporate Bonds	GBP	0.47	0.68
	USD	0.41	0.43
	EUR	0.55	0.54

Refer to note 35 for the effect of the Coronavirus pandemic.

All amounts in £000 unless otherwise stated

15.2.4 Discount rate assumptions

The liability discount rates are generally risk-free discount rates based on government bond yields. For the annuity product and long-term disability claims, the liability discount rates reflect the yields obtained on these segregated asset portfolios. The portfolios have individually defined investment guidelines including asset allocation strategies that reflect the Company's approach to ALM. Reinvestment risk is largely overcome through the ALM strategy. The discount rates were no greater than 97.5% of the risk-adjusted yields achieved on the assets and their reinvestment and investment of future premiums. The discount rates were further reduced by a default margin to make allowance for credit risk. It is noted that some liability discount rates are negative reflecting the negative market yields experienced in certain European countries. The discount rates for annuity products are set below.

		2020 %	2019 %
Annuity Products	GBP	0.63	1.40
	USD	1.05	2.26
	EUR	(0.17)	0.44
	CHF	(0.70)	(0.49)

The discount rates used to determine the outstanding claim reserves for Long Term Disability claims are determined based on government bond yields of approximately 5-year duration, and are as follows:

		2020 %	2019 %
Long Term Disability Claim Reserves	GBP	(0.05)	0.58
	USD	0.36	1.67
	EUR	(0.72)	(0.39)
	CHF	(0.73)	(0.63)

15.2.5 Maintenance expense and inflation assumptions

The expense assumptions used in determining liabilities for insurance contracts reflect the Company's expectations based on analysis. The expense inflation rate assumptions reflect market expectations.

15.3 Sensitivity analysis

The operational assumption that has the most material impact on the liabilities is mortality. This reflects that the majority of business is investment classed and is entirely insensitive to changes in operational assumptions such as expenses, expense inflation and surrender rates.

The sensitivity to change in operational assumptions was considered. A decrease in future mortality improvements by 10% has been estimated to increase the provisions by £5.3 million. A combined decrease in future mortality by 10% and a 1% additive increase in future mortality improvements has been estimated to increase the provisions by £7.7m. The 1% additive increase is an amount over and above the long-term assumption, the effect of which is the Company pays annuities that are in force for longer.

All amounts in £000 unless otherwise stated

16. Financial liabilities at fair value through profit and loss

	2020	2019
Investment contracts where the investment risk is borne by the contract holder	3,303,413	3,106,813
Total Financial Liabilities at fair value through profit & loss	3,303,413	3,106,813

17. Payables including insurance payables

	2020	2019
Payables arising out of direct insurance operations	6,965	6,212
Payables relating to investment contracts	36,453	53,188
Payables arising out of reinsurance operations	16,731	26,627
Reinsurance deposits	63,100	52,653
Income tax	-	597
Payables to other related parties	560	-
Social security & other taxes payables	385	338
Investment trade settlements due	1,625	-
Other payables	2,884	2,318
Total payables including insurance payables	128,703	141,933
Current Portion	128,703	141,933

The Company has the legal right to offset the reinsurance deposits included in the above table against the receivables due from reinsurers, which have arisen from reinsurance contracts (note 10). Other payables includes amounts such as brokers control, sundry payables to policyholders, commercial insurance claims, management accruals and IEF Fees.

All amounts in £000 unless otherwise stated

18. Accruals and deferred income

	2020	**2019**
Deferred income liability	271,068	308,823
Unearned premiums received	1,630	1,847
Expenses accruals	18,559	15,562
Other accruals	3,098	3,482
Total accruals and deferred income	294,355	329,714
Current portion	24,388	28,282
Non-current portion	269,967	301,432
Total accruals and deferred income	294,355	329,714

The expense accruals include items including general expenses, staff bonus accrual, negative portfolio bond policies and other policyholder amounts. Included within other accruals there are amounts for accrued commercial insurance premiums, Cayman and Bahamas liabilities and short term life liabilities.

	2020	**2019**
Deferred income liability at 1 January	308,823	349,116
Fees received and deferred during the year	8,710	8,974
Recognised as fee income in profit or loss during the year	(46,465)	(49,267)
Deferred income liability at 31 December	271,068	308,823

All amounts in £000 unless otherwise stated

19. Post-employment defined benefit asset

The amounts recognised in the statement of financial position for pension benefits are determined as follows:

	2020	2019
Present value of funded obligations	(22,117)	(20,175)
Fair value of plan assets	22,154	23,795
Net asset recognised in the statement of financial position	37	3,620

The amounts recognised in the profit or loss are as follows

	2020	2019
Net interest on defined benefit obligation	(72)	(95)
	(72)	(95)

The amounts recognised in the statement of comprehensive income are as follows

	2020	2019
Re-measurement on defined benefit plan	(3,655)	114
	(3,655)	114

Change in retirement benefit obligation	**2020**	**2019**
Retirement benefit obligation at 1 January	20,175	19,794
Benefits paid	(1,620)	(2,714)
Interest on obligation	387	516
Experience (gains)/ losses	(120)	86
Losses from changes in financial assumptions	3,250	2,564
Loss/ (gains) from changes in demographic assumptions	45	(71)
Retirement benefit obligation at 31 December	22,117	20,175

Change of fair value of plan assets	**2020**	**2019**
Opening fair value of plan assets	23,795	23,204
Return on assets (excluding interest)	459	612
Return on assets (not including interest)	(480)	2,693
Benefits paid	(1,620)	(2,714)
Closing fair value of plan assets	22,154	23,795

The weighted average duration of the liabilities of the scheme was 27 years as at 31 December 2020 (2019: 26 years).

All amounts in £000 unless otherwise stated

Plan asset disaggregation by asset class	2020 %	2019 %
Equities	69.9	68.7
Gilts	10.4	8.2
Corporate Bonds	17.3	15.9
Property	1.3	1.6
Cash	1.1	5.6
	100	100

Plan assumptions	2020 %	2019 %
Discount rate at end of year	1.4	2.0
Discount rate at start of year	2.0	2.8
Inflation	2.9	3.0
Rate of increase in deferred pensions	2.9	2.9
Rate of increase in pension payments	2.9	2.9
Rate of increase in pensions in payment for former Sun Alliance members	3.5	3.5

Mortality assumptions

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

The assumptions are that a member aged 63 will live on average until age 88.2 (2019: 88.1) if they are male and until age 89.8 (2019: 89.6) if female.

For a member currently aged 45 the assumptions are that if they attain age 63 they will live on average until age 89.7 (2019: 89.6) if they are male and until age 91.3 (2019: 91.2) if female.

All amounts in £000 unless otherwise stated

Sensitivity analysis

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

	2020		
	Impact on Retirement Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount Rate	0.5%	Decrease by 12.5%	Increase by 14.7%
Inflation	0.5%	Increase by 11.2%	Decrease by 12.1%
Pension Increases	0.5%	Increase by 8.6%	Decrease by 7.8%
		Change to 105%	**Change to 95%**
Scaling factor applied to base mortality table		Decrease by 1.5%	Increase by 1.6%

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

Funding policy

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

There are no amounts recognised during the year for payments to the defined benefit scheme (2019: £NIL).

All amounts in £000 unless otherwise stated

20. Net insurance premium revenue

	2020	2019
Direct insurance contracts		
Premium revenue arising from insurance contracts issued	133,299	146,465
Accepted reinsurance contracts		
Premium revenue arising from insurance contracts accepted	-	1,396
Reinsurance contracts ceded		
Premium revenue ceded to reinsurers on insurance contracts	(78,888)	(87,067)
Total insurance premium revenue	54,411	60,794

21. Gains on disposal from subsidiaries and associates

	2020	2019
Profit on disposal of subsidiaries	-	827
Total gains on disposal from subsidiaries and associates	-	827

All amounts in £000 unless otherwise stated

22. Net income from financial instruments at fair value

	2020	2019
Dividend income		
Financial instruments at fair value through profit & loss – own risk	63	110
Financial instruments at fair value through profit & loss – policyholder risk	8,072	10,861
Total dividend income	8,135	10,971
Interest		
Income from financial instruments at FVOCI – own risk	3,017	1,896
Income from financial instruments at fair value through profit & loss – own risk	9,593	11,722
Income from financial instruments at fair value through profit & loss – policyholder risk	8,185	8,970
Net interest income	20,795	22,588
Net realised gains & (losses) on financial assets		
Net loss on financial assets at fair value through OCI – own risk	(982)	(1,577)
Net gain on financial assets at fair value through profit & loss – own risk	2,437	2,765
Net gain on financial assets at fair value through profit & loss – policyholder risk	107,516	63,755
Net realised gain on financial assets	108,971	64,943
Net unrealised gains on financial assets		
Net gain on financial assets at fair value through profit & loss – own risk	9,927	13,838
Net gain on financial assets at fair value through profit & loss – policyholder risk	233,175	384,256
Net unrealised gains on financial assets	243,102	398,094
Change in investment contract liabilities	(343,933)	(454,963)
Net income from financial instruments at fair value	**37,070**	**41,633**

All amounts in £000 unless otherwise stated

23. Fee and commission income related to investment contracts

	2020	2019
Fee income from investment contracts	25,049	34,544
Net movement in deferred income liability	37,755	40,293
Other fee income – including commission and rebate income	11,481	10,610
Total fee and commission income related to investment contracts	74,285	85,447

24. Other income

Other income in the statement of comprehensive income is the recognition of the ceded reinsurance/ direct insurance income from group life and disability in The Bahamas and Cayman Islands.

25. Insurance benefits and claims

2020	Gross	Reinsurance Recovery	Net
Payments, direct & accepted insurance	115,568	(43,723)	71,845
Movements in provisions			
Other long term insurance contracts & investment contracts with DPF	(4,431)	(95)	(4,526)
Other, including short term insurance contracts	12,707	(9,376)	3,331
	8,276	(9,471)	(1,195)
Total net insurance benefits & claims	123,844	(53,194)	70,650

2019	Gross	Reinsurance Recovery	Net
Payments, direct & accepted insurance	139,037	(65,006)	74,031
Movements in provisions			
Other long term insurance contracts & investment contracts with DPF	2,765	(46)	2,719
Other, including short term insurance contracts	12,230	(7,507)	4,723
	14,995	(7,553)	7,442
Total net insurance benefits & claims	154,032	(72,559)	81,473

All amounts in £000 unless otherwise stated

26. Interest expense

	2020	2019
Interest expense	97	65
Interest on lease liability	264	317
Total interest expense	361	382

27. Expenses for the acquisition of insurance and investment contracts

	2020	2019
Expenses for the acquisition of insurance and investment contracts	20,376	17,653
Net movement on deferred acquisition costs	22,444	23,123
Other expenses for the acquisition of contracts	4,574	5,257
Total expenses for the acquisition of insurance and investment contracts	47,394	46,033

28. Administration expenses

	Note	2020	2019
Depreciation, amortisation & impairment charges	5, 6	1,697	4,355
Employee benefit expense	29	15,131	16,469
Service charge	7	238	1,385
Software costs		2,485	2,758
Audit fees		882	632
Non-audit fees		132	70
Purchase of other goods and services		8,935	7,912
Total administration costs		29,500	33,581

Included within purchase of other goods and services are items such as regulatory and advisory costs, actuarial fees, legal fees, consultancy and regulatory fees, computer costs including hardware maintenance, communication costs and business continuity as well as the day to day running costs, insurance, light, heat and water and project work.

All amounts in £000 unless otherwise stated

29. Employee benefit expense

	2020	2019
Wages & salaries	13,546	14,745
Social security costs	638	703
Pension costs – DB and DC plans	947	1,021
Total employee benefit expense	15,131	16,469

30. Income taxes

Statement of comprehensive income	**2020**	**2019**
	£	£
Current tax		
Current year income tax	214	288
Current year under provision	15	99
Prior year adjustment	(690)	483
Income tax expense	**(461)**	**870**

Reconciliation of tax charge	**2020**	**2019**
Profit before tax	**28,084**	**37,222**
Guernsey standard tax rate for insurance business	10%	10%
Current tax on profits for the year	2,808	3,722
Effect of the higher tax rates in the other jurisdictions in which the Company operates	204	393
Effect of utilising operating losses in the other jurisdictions in which the Company operates	(61)	(345)
Effect of activities subject to 0% tax rate	(2,799)	(3,499)
General provision/ (reversal) for taxes	(500)	500
Adjustment to tax charge in respect of prior years	(128)	-
Under provision	15	99
Total current tax (credit) / expense	**(461)**	**870**

All amounts in £000 unless otherwise stated

Tax payable	**2020**	**2019**
	£	**£**
At 1 January	(521)	178
Current year	184	(554)
Adjustment for prior year	521	(143)
At 31 December	**184**	**(521)**

The Company operates in multiple jurisdictions in multiple currencies. For each jurisdiction in which the Company operates there is a different tax regime, which requires a different local calculation of the Company's taxable profits. Therefore, management deem it necessary to consider each jurisdiction independently for the purposes of tax. The Company chooses to use specialist tax advisors to ensure that all calculations of tax are prepared in accordance with local requirements.

The taxable profit is provided to the relevant tax authorities on the basis of local accounting standards and audited financial statements and adjusted as required in each jurisdiction in which the Company operates. The differences in IFRS profits and taxable profits give rise to immaterial differences in the tax noted in each period and as such the Company is not recognising any deferred tax. Furthermore where there are any brought forward tax losses the Company has taken a prudent approach and would only consider recognising a deferred tax asset if the future profits could be considered more probable than not.

Tax on the Company's profit differs from the theoretical amount that would arise on the taxable profit using the standard rate of Guernsey taxation applicable to the Company as follows:

The applicable tax rate for the year in Guernsey was 10% on local business (2019: 10%). Applicable tax rates in other jurisdictions where the Company suffers taxation were Hong Kong 8.25% on the first HKD 2m and 16.5% thereafter (2019: 8.25% and 16.5%), 12.5% in Ireland (2019: 12.5%), Switzerland average 20.3% (2019: 20.3%) and 17% in Singapore (2019: 17%).

Management recognises that there are currently carried forward losses in the Singapore Branch of SGD6,022K and the Switzerland Branch of CHF9,061K but has not recognised a deferred tax asset until future profits are more probable to be available to offset.

An income tax payable of NIL (2019: £597K) is recognised in the payables in note 17 with an income tax receivable of £184K (2019: £76K) recognised in note 10. There were no deferred taxes recognised during the year.

All amounts in £000 unless otherwise stated

31. Cash generated from operations before foreign currency exchange, interest and taxes

	2020	**2019**
Insurance premium received	149,198	167,005
Reinsurance premium paid	(83,928)	(99,786)
Insurance benefits & claims paid	(132,416)	(163,028)
Reinsurance claims received	40,452	66,945
Investment contracts receipts	151,250	97,159
Investment contracts benefits paid	(409,619)	(379,189)
Commission and fee income	48,351	49,711
Payments to intermediaries to acquire insurance & investment contracts	(31,732)	(31,586)
Cash paid to employees, intermediaries & other suppliers for services & goods	(26,223)	(20,371)
Dividend received	13,919	18,429
Interest received	14,685	17,749
Net realised (loss) / gain	-	(60,690)
Other operating cash flows	(77)	10,349
Net sale / (purchase) of operating assets		
Equity securities	241,303	424,158
Debt securities	35,472	138,988
Cash generated from operations before foreign currency exchange, interest and taxes	10,635	235,843

The Company classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance and investment contracts, net of the cash flows for payments of insurance benefits and claims and investment contracts benefits.

32. Contingencies, commitments and guarantees

In the normal course of business, the Company is subject to matters of litigation or arbitration. While there can be no assurances, at this time the directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Company.

In cases where the probability is more likely than not that cash outflows will occur, a provision is made within the financial statements and presented as part of either Payables arising out of direct insurance operations (note 17) or Other accruals (note 18) depending on the circumstances.

The Company is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts, and it has complied with all the local solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with these regulations.

There are no outstanding commitments as at 31 December 2020 nor 31 December 2019.

All amounts in £000 unless otherwise stated

33. Business sector report of The Bahamas direct business regulated by The Insurance Commission of The Bahamas

	2020		2019	
	£	B$	£	B$
Assets				
Tangible assets	128	171	163	211
Amount ceded to reinsurers from insurance provisions	3,467	4,732	6,480	8,594
UPR amount ceded to reinsurers from insurance provisions	3,717	5,074	5,729	7,598
Receivables				
Receivables arising out of direct insurance operations	418	570	587	778
UPR receivables arising out of direct insurance operations	3,866	5,277	5,929	7,863
Other receivables	23	32	32	43
Cash and cash equivalents	6,457	8,814	9,547	12,053
Accrued income and prepayments	229	312	30	40
	18,305	24,982	28,497	37,180
Liabilities				
Revenue reserves	1,427	2,131	959	1,504
Insurance provisions, direct insurance	3,590	4,899	6,935	9,198
UPR Insurance provisions, direct insurance	3,866	5,277	5,929	7,863
Payables				
UPR payables arising out of direct insurance operations	4,389	5,992	5,729	7,598
Payables arising out of reinsurance operations	3,717	5,074	4,188	5,582
Other payables	320	437	296	392
Other liabilities	996	1,172	4,461	5,043
	18,305	24,982	28,497	37,180

B$ - Bahamian Dollars

Table included as part of the requirement for regulatory reporting in The Bahamas.

All amounts in £000 unless otherwise stated

33. Business sector report of The Bahamas direct business regulated by The Insurance Commission of The Bahamas (continued)

	2020		2019	
	£	B$	£	B$
Gross earned premiums	18,541	24,555	24,476	32,169
Earned premium ceded	(17,461)	(22,471)	(23,395)	(29,868)
Net earned premiums	1,080	2,084	1,081	2,301
Interest and other investment income	4	6	4	4
Other income	719	925	1,018	1,231
Total income	1,803	3,015	2,103	3,536
Net insurance benefits and claims	76	89	(655)	(834)
Expenses for the acquisition of insurance and investment contracts	(194)	(945)	(176)	(1,146)
Administration costs	221	289	331	416
Other expenses	(221)	(289)	(331)	(417)
Realised losses on foreign currency	(22)	(28)	(40)	(51)
Unrealised losses on foreign currency	(236)	-	(273)	-
Total expenses	(376)	(884)	(1,144)	(2,032)
Profit before tax	1,427	2,131	959	1,504
Income taxes	-	-	-	-
Profit for the year	1,427	2,131	959	1,504

B$ - Bahamian Dollars

Table included as part of the requirement for regulatory reporting in The Bahamas

All amounts in £000 unless otherwise stated

33. Business sector report of the Cayman Islands direct business regulated by the Cayman Island Monetary Authority

	2020		2019	
	£	$	£	$
Assets				
Investments				
Amount ceded to reinsurers from insurance provision	2,781	3,797	3,864	5,125
UPR amount ceded to reinsurers from insurance provision	6,738	9,198	7,780	10,318
Receivables				
Receivables arising out of direct insurance operations	38	52	248	329
UPR receivables arising out of direct insurance operations	7,240	9,883	8,218	10,899
Other receivables	2	3	-	-
Cash and cash equivalents	5,578	7,615	6,090	8,077
Accrued income and prepayments	365	499	221	292
	22,742	31,047	26,421	35,040
Liabilities				
Revenue reserves	1,338	2,140	1,005	1,919
Insurance provisions				
Insurance provision, direct insurance	2,987	4,078	4,022	5,335
UPR insurance provision, direct insurance	7,240	9,883	8,218	10,899
Payables				
Payables arising out of direct insurance operations	2,466	3,366	3,831	5,579
Payables arising out of reinsurance operations	(721)	(984)	(405)	(537)
UPR payables arising out of direct insurance operations	6,738	9,198	7,780	10,318
Other payables	29	40	26	35
Other liabilities				
Accruals and deferred income	2,665	3,326	1,944	1,492
	22,742	31,047	26,421	35,040

$ - United States Dollars

Table included as part of the requirement for regulatory reporting in the Cayman Islands.

All amounts in £000 unless otherwise stated

33. Business sector report of the Cayman Islands direct business regulated by the Cayman Island Monetary Authority (continued)

	2020		2019	
	£	$	£	$
Gross earned premiums	22,241	28,622	22,999	29,302
Earned premium ceded	(21,090)	(27,136)	(22,193)	(28,271)
Net earned premiums	1,151	1,486	806	1,031
Interest and other investment income	-	-	1	-
Other income	860	1,107	905	1,157
Total Income	2,011	2,593	1,712	2,188
Net insurance benefits and claims	(122)	(156)	(47)	(62)
Interest expense				
Expenses for the acquisition of insurance and investment contracts	(121)	(156)	(84)	(109)
Realised losses on foreign currency	(110)	(141)	(77)	(98)
Unrealised losses on foreign currency	(320)	-	(499)	-
Total expenses	(673)	(453)	(707)	(269)
Profit before tax	1,338	2,140	1,005	1,919
Income taxes	-	-	-	-
Profit for the year	1,338	2,140	1,005	1,919

$ - United States Dollars

Table included as part of the requirement for regulatory reporting in the Cayman Islands.

All amounts in £000 unless otherwise stated

34. Related-party balances and transactions

The following transactions were carried out with related parties.

a) Key management personnel compensation

	2020	2019
Salaries & other short term employee benefits	1,224	2,189
Post-employment benefit	130	181

b) Transactions with parent company

	2020	2019
Dividend paid to Utmost Holdings (Guernsey) Limited	12,500	-
Dividend paid to Utmost International Group Holdings Limited	12,500	-
Repurchase of shares paid to Utmost Holdings (Guernsey) Limited	-	197,340
Expenses from Utmost International Group Holdings Limited	639	281

c) Balances and transactions with subsidiaries

	2020	2019
UPM receivable	288	92
DIFC receivable	142	14

The above amounts are presented as part of Receivables due from other related parties within Receivables including insurance receivables in note 10.

	2020	2019
UPM payable	(161)	-
DIFC payable	(89)	-

The above amounts are presented as part of Payables to other related parties within Payables including insurance payables in note 17.

	2020	2019
UPM – management fees and service fees	469	503
DIFC – administrative expenses	670	442

The above amounts are shown as part of the Purchases of other goods and services within Administrative expenses in note 28.

All amounts in £000 unless otherwise stated

d) Balances and transactions with other related parties

	2020	**2019**
Receivable from Utmost Services Ireland Limited (USIL)	108	187
Prepaid expenses to USIL	786	-

The receivable from USIL is presented as part of Receivables due from other related parties within Receivables including insurance receivables in note 10. The Prepaid expenses to USIL are presented as part of the Other prepayments within Accrued income and prepayments in note 12.

	2020	**2019**
Payable to USIL	(204)	-
Payable to UPE	(106)	(271)

The above amounts are presented as part of Payables to other related parties within Payables including insurance payables in note 17.

	2020	**2019**
UPE – administrative expenses	(560)	(432)
Sale of UPE	-	(827)
USIL – administrative expenses	4,483	4,089

Recharged expenses to/ from UPE and USIL are shown as part of the Purchases of other goods and services within Administrative expenses in note 28.

e) Balances in relation to reinsurance

The Company reinsures certain insurance exposures to related and non-related parties, some have become non-related since the Utmost acquisition on 28 February 2019. The Company also accepts reinsurance whereby a related party's policyholders invests in funds of the Company.

	2020	**2019**
Amounts payable to related parties	(2,438)	(2,256)

f) *Retirement benefit obligations*

Transactions and balances arising from the Company's retirement benefit obligations are disclosed in note 19.

The Company shares its offices with some of its subsidiaries and other related parties. Some services are purchased by one related party on behalf of all and the costs allocated on an equitable basis. These recharges typically cover areas such as office services, shared personnel costs, rent and rates. Refer to section c) and d) for the detail.

35. Coronavirus pandemic

The COVID-19 outbreak developed rapidly in 2019 and continued throughout 2020 into 2021. With a significant number of infections in all the jurisdictions in which the Company operates measures have been put in place to prevent transmission of the virus including limiting the movement of people, restricting flights and other travel, temporarily closing businesses and schools and cancelling events. The Company follows the latest advice from the World Health Organisation and national health agencies policies in which the Company operates.

The Company's activities are classified as essential services which has allowed some staff to work from the office in specific jurisdictions. Due to the work completed by the business continuity teams the business continues to run smoothly during the pandemic and for the foreseeable future. The success of the program has allowed staff to work from home when necessary while maintaining service standards to clients during periods of lockdown. The Company has been able to continue to operate with minimal visible impact whilst ensuring the safety of its staff, customers and partners.

Management have also been carefully considering the repercussions on the financial statements and the ongoing financial reporting. The implications considered include the indirect effects of lower economic activity.

Management are monitoring the situation and continuously considering the following:

- Client service standards - Client service standards are continuously monitored to ensure that remote working by staff does not negatively impact service standards.
- Safety - Measures taken to control COVID-19 ensuring the safety of its staff, customers and partners.
- Business activity indicators - KPI's including new business, client activity and lost business were monitored to ascertain if any assumptions from earlier dates may need to be revised.
- Solvency - The solvency of the Company was not threatened by the pandemic or the market volatility seen in 2020. The main solvency measure on the lead regulatory basis remained over 180% throughout the year.
- Market impacts - Market movements can impact the fee income recognised in the income statement due to movements in funds under management. During the first quarter of 2020 there was a decline in the markets as a result of the COVID-19 pandemic, which reduced the Company's fee income. The impact was compounded by volatility in bond markets with credit spread widening and in the exchange rates experienced. The investment markets rebounded during the second quarter and continued to grow strongly in the fourth quarter, with average growth of 14% over 2020 for assets backing Wealth unit-linked policies. As a result, the Company's fee income increased over 2020.

- COVID-19 Provisions - An additional claims reserve (net of reinsurance) of £0.7m was established to cover expected additional death claims from the Group Life & Disability line of business. This claims reserve reflects the expected additional mortality as well as the demographics profile of the insured lives. The Company holds a general COVID-19 provision of £1.5m which reflects the risk of extra claims from non-COVID-19 related causes, due to delays in policyholders accessing medical facilities during the pandemic. The annuitant mortality experience was reviewed in 2020 and was reflected in future mortality assumptions, though there is likely to be a delay between excess deaths occurring and impacting assumptions. No additional allowance was made for COVID-19 in advance beyond those already made in the review of mortality assumptions. The average age of the annuity portfolio is approximately 80. The risk exposure to COVID-19 claims on the Wealth Solutions business is insignificant due to the nature of the unit-linked business with limited additional death benefits, the age profile and the geographical diversification of the policyholders. The average age of the Wealth Solutions book of business is 49 for regular premium Vision product, 44 for the Choice single premium product, 32 for the Focus product and 58 for Portfolio Bonds policyholders.
- Impact on assumptions affecting liabilities
    - Mortality & longevity - Whilst provisions have been made for shorter term impacts from the pandemic, the longer-term mortality rates are not expected to materially change hence has not been adjusted from the previous assumption;
    - Inflation, exchange rates and economic reference data/expenses - The approach of using market consistent data is unchanged, generally using economic reference data with a long-term view, and using prevailing exchange rates. No adjustments were made due to COVID-19;
    - Expenses - The Company's expenses are closely managed and did not increase due to the pandemic in 2020;
    - Interest rates - Interest rates reduced in 2020, see note 15.2.3. The Company adopts asset liability management strategies in order to immunize itself from adverse impacts from interest rate fluctuations; and
    - Lapse surrender rates - The COVID-19 pandemic had negligible impact on lapse rates in 2020 or upon future assumptions.

The Company has seen no deterioration in payment regularity nor has the impact of Brexit had any noticeable effect. The rates of persistency have remained stable during the year.

Based on the above, the Directors consider that the Company remains a going concern.

36. Events after the end of the reporting period

On 4 January 2021, a licence was granted by the GFSC under The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 as amended for the purpose of selling and managing the Company's Private Life Client product. Prior to the date of signing the financial statements there was no new business written under this licence.

There are no other transactions or events subsequent to the reporting period which require adjustment in the financial statements.