ANNUAL REPORT 2023

REASSURINGLY DIFFERENT

utmost™
GROUP

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

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

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

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

Reassuringly different

2023 OVERVIEW

OUR PURPOSE

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

WHAT WE DO

We provide insurance and savings solutions to help grow and protect our clients' financial futures

FINANCIAL HIGHLIGHTS

ASSETS UNDER ADMINISTRATION ("AUA")

£62.8bn

(2022 £60.1bn)[1]

GROSS INFLOWS

£3.6bn

(FY 2022: £4.2bn)

NET SOLVENCY II ECONOMIC VALUE

£1,686m

(2022 £1,770m)

OPERATING PROFIT

£212m

(2022 £184m)[2]

Utmost Group uses Alternative Performance Measures ("APMs") as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used to provide an accurate and helpful reflection of business performance. For further information, please see page 162.

This document contains, and Utmost Group may make other statements (verbal or otherwise) containing, forward-looking statements, other information relating to future financial conditions or the performance, results and/or strategy of the Utmost Group. For further information, please see page 167.

References to "IFRS" figures used throughout the Strategic Report reflect the basis of preparation set out on page 92, note 2.1.

1. The Group revised the calculation of its AUA KPI in 2023. For further details on this change, please see the Financial Highlights and KPIs section on pages 16 and 17
2. The 2022 comparative IFRS results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 2.1.1 of the Financial Statements

WHAT WE DO AND WHERE WE OPERATE

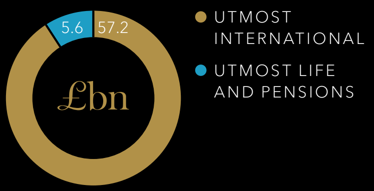
WHAT WE DO

Utmost Group is a leading UK-based provider of insurance, pensions, and savings solutions that help grow and protect our clients' financial futures.

READ MORE ABOUT OUR BUSINESS MODEL ON PAGES 22 AND 23

This is delivered through our two core businesses: Utmost International and Utmost Life and Pensions.

AUA SPLIT



UTMOST INTERNATIONAL

Utmost International is a leading provider of wealth solutions providing unit-linked life assurance policies via our global network of intermediaries.

Operating under Utmost Wealth Solutions ("UWS"), our solutions provide a tax efficient and transparent savings option to affluent, High Net Worth ("HNW") and Ultra High Net Worth ("UHNW") clients. With operations in the UK, Europe, the Middle East, Asia, and Latin America, UWS helps to preserve our clients' wealth and safeguard it for future generations.

Utmost Corporate Solutions ("UCS") is a small part of Utmost International. It is a provider of life, income protection and critical illness cover to multinational corporations with employees in multiple jurisdictions.

UTMOST LIFE AND PENSIONS

Utmost Life and Pensions ("ULP") is a UK-focused insurer providing long-term security to policyholders through the management of established life and pension books of business.

Our trusted sector expertise, secure financial foundations, and commitment to excellence ensures good customer outcomes for all our policyholders.

READ MORE ABOUT UTMOST LIFE AND PENSIONS' BUSINESS MODEL ON PAGES 26 AND 27

READ MORE ABOUT UTMOST INTERNATIONAL'S BUSINESS MODEL ON PAGES 24 AND 25

WHERE WE OPERATE

UK

INTERNATIONAL

£16trn

TOTAL WEALTH[1]

A mature market driven by an individual's tax and estate planning needs, with a focus on the affluent, HNW and UHNW sector.

475+ ADVISER RELATIONSHIPS

34% OF APE[2]

ULP

£500bn

ESTIMATED BPA TRANSACTIONS IN NEXT TEN YEARS[3]

Repositioning in the UK to capitalise on the thriving Bulk Purchase Annuity ("BPA") market.

EUROPE

INTERNATIONAL

£85trn

TOTAL WEALTH[1]

A large market with wealth planning demands from residents and expats that benefit from the scale and diversification of the cross-market economy.

100+
ADVISER RELATIONSHIPS

45%
OF APE

MIDDLE EAST

INTERNATIONAL

£4trn

TOTAL WEALTH[1]

An expat-driven market looking for portable and compliant solutions that offer broad investment options.

50+
ADVISER RELATIONSHIPS

3%
OF APE

ASIA

INTERNATIONAL

£67trn

TOTAL WEALTH[1]

A burgeoning HNW and UHNW population, with demand for cross-jurisdictional and compliant solutions.

80+
ADVISER RELATIONSHIPS

17%
OF APE

LATIN AMERICA

INTERNATIONAL

£15trn

TOTAL WEALTH[1]

A growing market with demand for a safe and regulated product with relevant tax efficiencies, ease of reporting and succession benefits.

45+
ADVISER RELATIONSHIPS

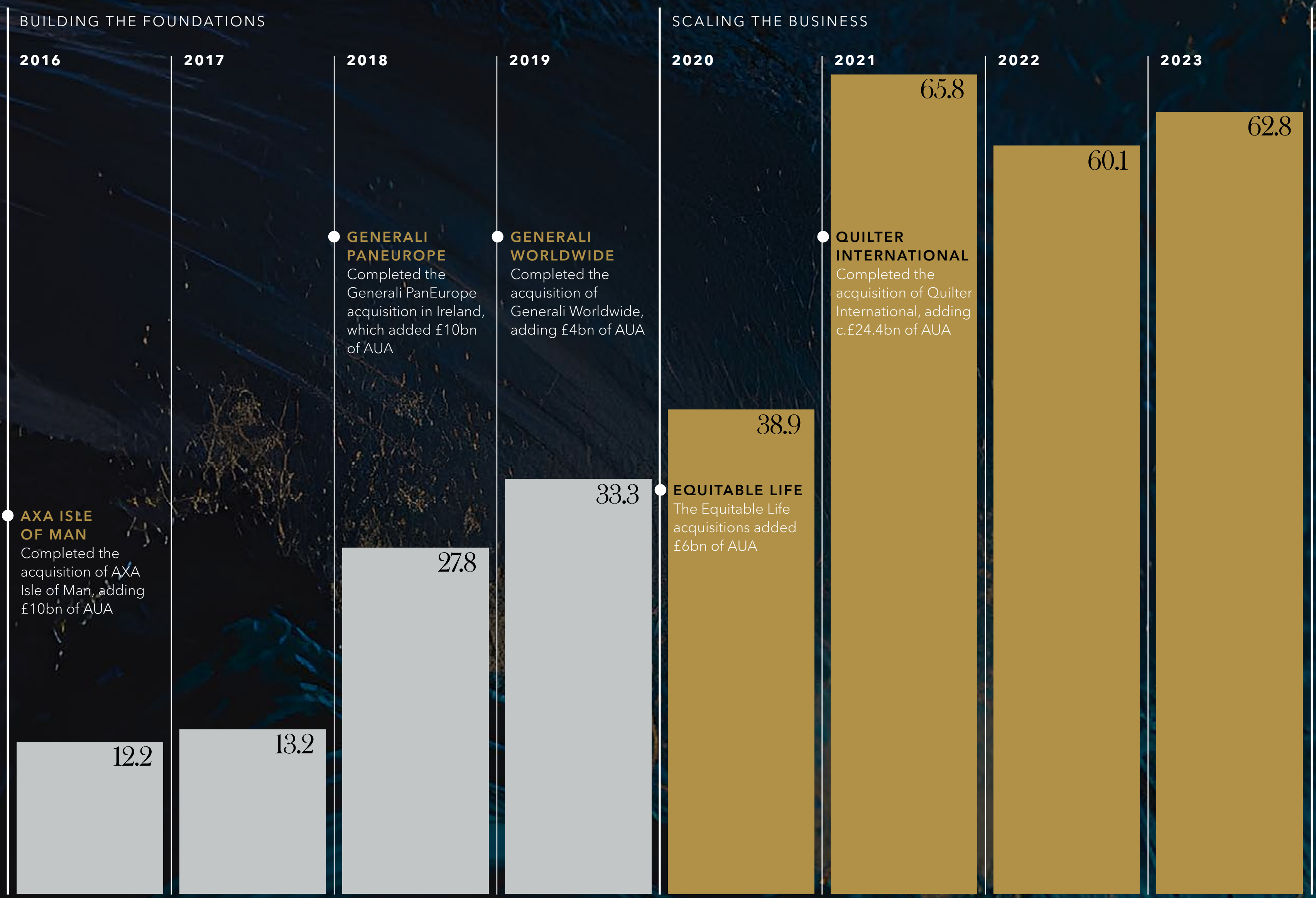
1%
OF APE

1. Total Wealth statistics are from the UBS Global Wealth Report 2023. The reported Asia total excludes Australia, New Zealand, China, and India
2. Annual Premium Equivalent ("APE")
3. https://www.bankofengland.co.uk/speech/2023/april/charlotte-gerken-speech-bulk-annuities-conference

DELIVERING PROFITABLE GROWTH

Founded in 2013, the business has achieved scale through organic and inorganic expansion. Utmost is now a leading UK-based provider of insurance, pensions and savings solutions.

GROUP AUA, £bn



HOW WE DELIVER PROFITABLE GROWTH

500,000 CUSTOMERS

1,500 EMPLOYEES

›750 ADVISERS

Global REACH

SCALE

LARGE ASSET BASE ENABLING SCALABLE, STABLE RETURNS

ASSETS UNDER ADMINISTRATION

£62.8bn

OPERATING PROFIT

£212m

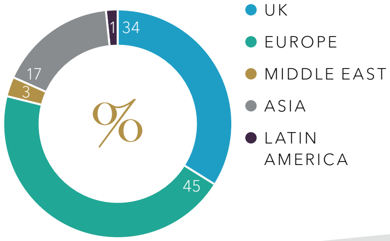
DIVERSIFICATION

WELL BALANCED BUSINESS WITH BROAD DISTRIBUTION REACH

ADVISER RELATIONSHIPS

›750

UWS APE MIX



QUALITY

TAILORED, VALUE-LED SOLUTIONS GENERATING STRONG CUSTOMER LOYALTY

VALUE OF NEW BUSINESS

£55m

UWS CLIENT RETENTION

92%

RESILIENT

ROBUST AND WELL CAPITALISED, SECURING THE LONG-TERM FUTURE OF OUR BUSINESS

SOLVENCY COVERAGE RATIO

208%

GROUP FITCH RATING

‘A’ with a Positive Outlook

PURPOSE-DRIVEN APPROACH

PURPOSE

Represents our commitment as a business and underpins our strategy, culture and business model

READ MORE FROM OUR CEO ON PAGES 12 TO 15

STRATEGY

Delivered through our business model and aims to achieve positive stakeholder outcomes

READ MORE ABOUT OUR STRATEGY ON PAGES 18 TO 21

OPERATING FRAMEWORK

Our governance, risk management and sustainability frameworks guide how we operate

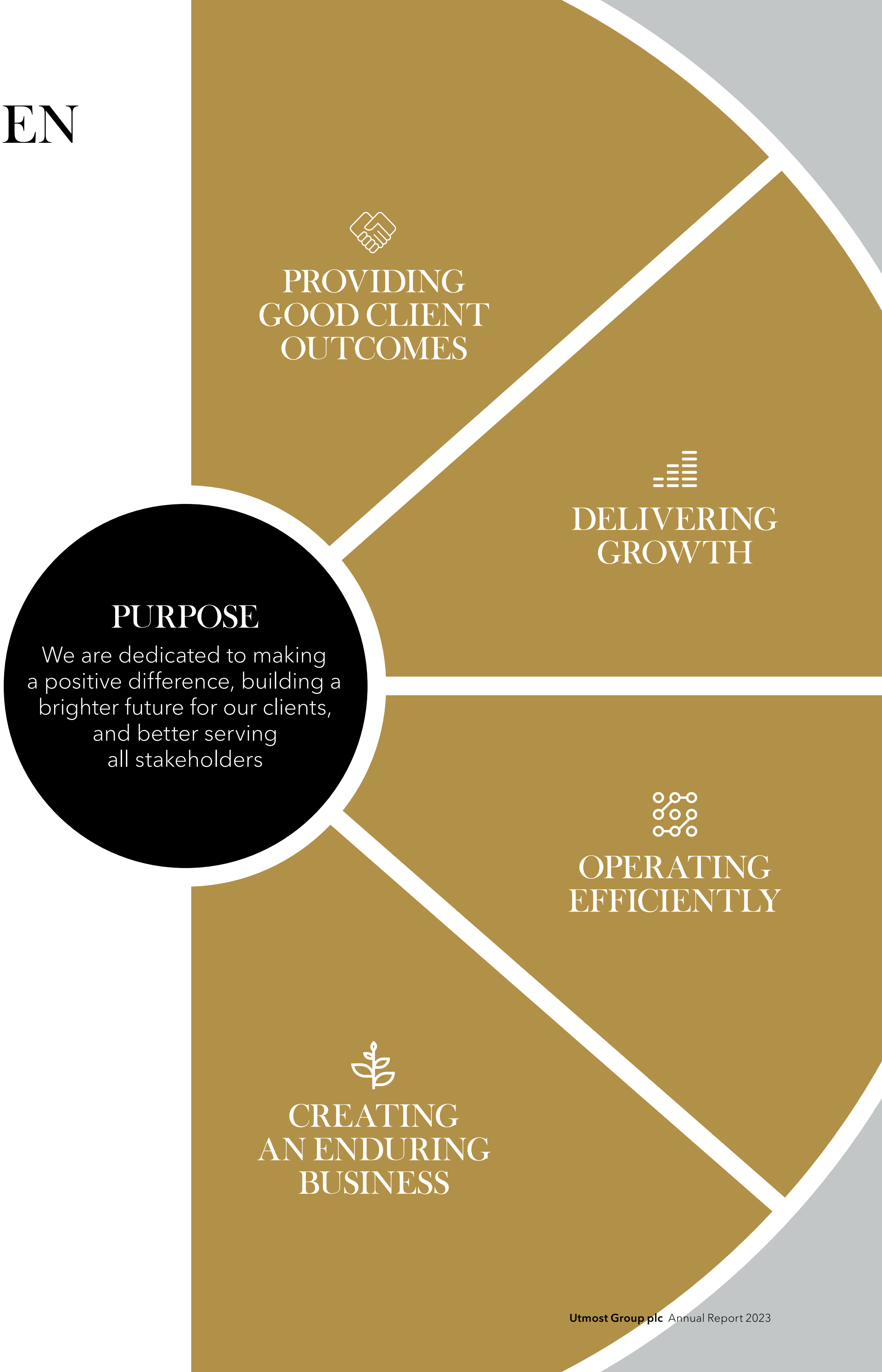
READ MORE ON OUR RISK MANAGEMENT ON PAGES 56 TO 64

READ MORE ABOUT SUSTAINABILITY STRATEGY ON PAGES 36 TO 52

STAKEHOLDERS

Groups that we engage with and serve

READ MORE ABOUT OUR STAKEHOLDER ENGAGEMENT ON PAGES 53 TO 55



RISK MANAGEMENT
READ MORE ON PAGES 56 TO 64

SUSTAINABILITY
READ MORE ON PAGES 36 TO 52

GOVERNANCE
READ MORE ON PAGES 68 TO 75

CLIENTS

Committed to delivering good client outcomes and building a brighter future for all customers

READ MORE ON PAGE 54

INVESTORS

Delivering strong, stable returns to our investors

READ MORE ON PAGE 54

EMPLOYEES

Work to ensure that all of our employees are fulfilled, motivated and set up to succeed

READ MORE ON PAGE 54

REGULATORS

Work collaboratively to ensure we abide to the financial services regulations in the markets we operate

READ MORE ON PAGE 55

COMMUNITY AND ENVIRONMENT

Recognising the importance of leaving a positive legacy on the communities and environments in which we operate

READ MORE ON PAGE 55

SUPPLIERS

Building strong working relationships with our key suppliers

READ MORE ON PAGE 55

STRATEGIC REPORT

CHIEF EXECUTIVE OFFICER'S REVIEW

Paul Thompson
Group Chief Executive Officer

I am pleased to report that we have strengthened our business and delivered solid financial results in 2023 despite a difficult macroeconomic backdrop. The Group successfully completed the Quilter International integration ahead of schedule and delivered a breadth of operational improvements.

We have made notable enhancements to our digital capabilities, operational structure and expanded propositions to enhance our clients' experience. By continuing to invest in efficiencies and better serve our clients, the Group is well positioned to deliver strong, resilient financial outcomes and achieve our purpose.

MARKET BACKDROP

Market conditions in 2023 continued to be impacted by the ongoing uncertainty around macroeconomic and geopolitical directions. Although market performance rallied in the latter parts of 2023, the year was characterised by persistent inflation, interest rate hikes, and tightening monetary policy. In light of this, investor sentiment was one of hesitation, with individuals de-risking and withdrawing funds to counter rising costs. This has contributed to reduced sales performance in our International business with APE 12% lower than FY 2022, as investor focus shifted and market conditions served to constrain the flow of new funds. Despite this, our Value of New Business ("VNB") was 15% higher than last year due to margin improvements outweighing lower volumes. Our Sales team have worked closely with their network of advisers and private banks to continue to articulate the benefit of our products to clients looking to secure their long-term financial futures.

In early 2023, the Group was pleased to receive a revision to our Fitch Ratings to a Positive Outlook. The Insurer Financial Strength ("IFS") Ratings were affirmed at 'A' and Issuer Default Rating ("IDR") at 'A-'. The Positive Outlook reflects the Group's improving business risk profile, supported by our integration of Quilter International. The revision reflects our increased scale which has been achieved while maintaining our strong operating profitability, robust capitalisation and conservative financial leverage.

READ MORE ABOUT THE MARKETS AFFECTING UTMOST INTERNATIONAL AND UTMOST LIFE AND PENSIONS ON PAGES 24 TO 27

OUR CLIENTS

At Utmost, we are committed to building a brighter future for the 500,000 customers we serve globally.

In our International business, our Sales and Proposition team continues to assess new opportunities to ensure our solutions meet the needs of our present and future customers. This has led to us expanding our product offerings in the Middle East, Finland and France, which will enable us to better serve our clients in those regions and expand our market penetration. Across our existing propositions, we continue to review and enhance our product features to maintain a competitive and compelling portfolio.

The new Consumer Duty regulations for the UK market set a higher standard of consumer protection. This echoes a key strategic priority of the Group to provide good client outcomes. Our Utmost Life and Pensions business, which is captured under the Consumer Duty Act, has built on the strong foundations already in place to ensure compliance for new business. The UK business is in the process of reviewing their closed products historically sold into the UK in line with the guidance ahead of the 31 July 2024 deadline.

Our International business, while not directly impacted by the Consumer Duty requirements, has chosen to voluntarily apply the Consumer Duty Principles to help support our UK distribution partners to better serve their clients.

FOUNDATIONS FOR FUTURE SUCCESS

The Quilter International integration completed in November 2023. Our teams worked collaboratively across geographies and functions to ensure that systems and infrastructure were incorporated seamlessly. At Utmost, we have always prided ourselves on our agility and ability to deliver results. The Quilter International integration, as our largest completed to date, was a significant exercise and it was pleasing to see the strength and adeptness of our teams in successfully accomplishing this ahead of schedule.

The success of this has paved the way for us to implement a new operational structure in our International business, and to streamline our teams by function rather than geography. This will have the benefit of simplifying and aligning standards and processes, and fostering a more cohesive and collaborative work environment.

The changes in our operational structure have been completed in conjunction with further investments in our digital infrastructure.

We have expanded the functionality of our International and UK Online Service Centres. Investments in these digital solutions enables our customers to have greater access points to engage with our client service teams. We are committed to continuing to expand our online servicing capabilities to customers across our regions.

In 2023, we invested in new security controls to ensure that our technology estate remains robust and secure. This will help to protect our customers data and ensure long-term financial and operational resiliency in the face of the growing threat of cyber crime.

We also implemented two new Group-wide systems – Sage for HR and Riskonnect for Risk. This has had the benefit of standardising approaches in these respective teams across the Group. Notably, Riskonnect will ensure that we have a robust and uniform approach to risk management and that we remain resilient across the organisation.

OUR PEOPLE AND OUR COMMUNITIES

Our people are the foundation of our success, and we are committed to providing a workplace where they thrive. The results of our second annual Employee Engagement Survey demonstrated the efforts undertaken across Utmost. We are committed to building a culture of opportunities, where employees feel valued and have a chance to contribute. This was reflected in 95% of our employees stating that they feel empowered at work.

We remain focused on the communities in which we operate to ensure that we leave a lasting and positive legacy. Our local offices have forged strong ties through partnerships with schools and charities to deliver meaningful impact. All employees have access to a volunteering day and in 2023, employees across the Group continued to dedicate time to support local initiatives. It is always pleasing to see the impact this has on both the community and our employees themselves.

In line with our commitment to local communities, we remain focused on attracting and developing local talent to drive Utmost forward. We have run engagement programmes with local schools to provide opportunities for students and to establish a pipeline of talent. This will help to cement Utmost's position in our key communities.

At Utmost, we are dedicated to making a positive difference, building a brighter future for our clients and better serving all stakeholders. Our 2023 Sustainability Report (pages 36 to 52) demonstrates the strides we have made to embed responsible business considerations across Utmost. This year, as part of our Sustainability Report, the Group has published its inaugural Pathway to Net Zero which details our progress against our 2050 net zero target in respect of our shareholder assets and reinforces our commitment to building a better future.

FOCUS ON THE FUTURE

Our UK business has begun work to enter the BPA sector. This marks an exciting juncture for the Group, with the BPA market exhibiting an attractive growing pipeline as a result of changing market conditions and risk appetite. We are leveraging our UK capability and operational excellence to build a compelling BPA franchise and intend to formally enter the market in late 2024. This move by our UK business will complement our International operations and provide us with a more diversified organic growth profile.

The M&A market continues to remain uncertain, with both availability and demand for opportunities impacted, as economic headwinds persist. There is cautious optimism that 2024 will bring a steady increase in deal flows. While the broader macroeconomic uncertainty and the cost of capital are expected to remain as headwinds, we remain confident in our ability to execute value enhancing deals as and when opportunities become available.

LOOKING AHEAD

Looking ahead to 2024, there are green shoots of optimism, with rate cuts predicted, inflation expectations falling and consumer confidence on the rise. We remain vigilant to the precarious geopolitical landscape, which could interrupt this progress.

At Utmost, we remain confident that we will continue in our ability to deliver on our core strategic objectives and deliver value to stakeholders. Over the past ten years by executing our strategy, we have built the strong foundations which have enabled us to be a trusted partner to our clients. We now are focused on using these pillars of strength to scale Utmost, and further establish ourselves as a key player in the markets in which we operate. In 2024, with the support of our shareholders, we will continue to drive forward with our ambitious goals and capitalise on our established strength.

Paul Thompson
Group Chief Executive Officer

86%

OF UTMOST EMPLOYEES BELIEVE THAT UTMOST IS A CUSTOMER-CENTRIC ORGANISATION

OUR VALUES

"Our people are the foundation of our success, and we are committed to providing a workplace where they thrive."

INSPIRING
We provide a clear vision and direction for the Group. We have the confidence and experience to try new ideas in order to enact meaningful change where required.

MOTIVATED
Our positive attitude and energetic approach serve us in realising our potential. We are ambitious thinkers and strive to be the leader in our chosen markets.

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

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

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

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

IMPACT

FINANCIAL HIGHLIGHTS AND KPIS

IAN MAIDENS
UTMOST GROUP CHIEF FINANCIAL OFFICER

We monitor a range of financial and non-financial metrics to enable us to measure performance against our strategic priorities and our purpose. These KPIs support the business in assessing how we generate value for our key stakeholders.

Utmost Group delivered strong results for 2023 across a range of measures.

Our financial performance shows the resilience of our business model in an operating environment impacted by macroeconomic headwinds and geopolitical volatility. The business has continued to focus on value and operational efficiency, whilst ensuring we maintain strong economic value and capital position.

We delivered a good performance across our non-financial metrics. In particular, it was great to see that the Group achieved high employee engagement scores for the second year in a row. Client retention remained robust and we further reduced our operational emissions, as the business continues to shift towards renewable energy sources.

The 2022 comparative IFRS results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 2.1.1 of the Financial Statements.

READ MORE ABOUT OUR FINANCIAL PERFORMANCE IN OUR CHIEF FINANCIAL OFFICER'S REVIEW ON PAGES 28 TO 35

LINK TO STRATEGIC PILLARS

- Providing Good Client Outcomes
- Delivering Growth
- Operating Efficiently
- Creating an Enduring Business

ASSETS UNDER ADMINISTRATION

AUA is a measure of the assets held by Utmost Group on behalf of its policyholders.

The Group revised the calculation of its AUA KPI in 2023. The previous calculation primarily included assets backing linked liabilities whereas the revised calculation includes assets backing linked liabilities and non-linked insurance liabilities. The new calculation provides a more accurate view of the Group's earnings capability.

COMMENTARY
The increase in AUA was driven by higher market values for equity type assets. Utmost International achieved inflows of £3.6bn although net flows for the year were slightly negative (£0.6bn), partially offsetting market gains.

£62.8bn

2022	£60.1bn
2023	£62.8bn

ANNUAL PREMIUM EQUIVALENT

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

COMMENTARY
The reduction in APE reflects lower volumes of new business in established markets partially offset by a strong sales performance in the Group's growth markets.

£349m

2022	£397m
2023	£349m

VALUE OF NEW BUSINESS

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

COMMENTARY
The increase in VNB reflects the improvement in VNB margin (defined as VNB divided by APE) from 12.1% in 2022 to 15.9% in 2023, offset in part by the reduction in the volume of new business written.

£55m

2022	£48m
2023	£55m

OPERATING PROFIT

Measures the profit emerging from the key operations of the business. It is a measure of IFRS earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Operating Profit excludes any non-recurring item. A reconciliation of operating profit to IFRS profit before interest and tax is provided in the APMs section of this annual report.

COMMENTARY
The increase in Operating Profit compared to the restated 2022 figure reflects an increase in both Other Income (reflecting higher returns earned on shareholders assets) and the Net Financial Result, offset by a reduction in fee income on investment contracts and in the Insurance Service Result.

£212m

2022	£184m
2023	£212m

CLIENT RETENTION

A measure of the clients who held an Utmost policy at the start of the year, and still held that policy at the end of the year.

COMMENTARY
High retention rates are a reflection of good client servicing and the delivery of appropriate solutions. UWS retained a high retention rate of 92% in 2023 reflecting our good client service and the long-term value of our proposition.

92%

	2023	2022
UWS	91.8%	94.0%
ULP	92.6%	93.2%
UCS	85.5%	87.9%

EMPLOYEE ENGAGEMENT

Average positive score from our annual Group-wide Employee Engagement Survey.

COMMENTARY
The 83% average positive score, combined with our 82% response rate, reflects the work undertaken to ensure that Utmost employees are fulfilled and engaged at work.

83%

2022	81%
2023	83%

SOLVENCY II ECONOMIC VALUE

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

COMMENTARY
The Group's net SII EV decreased by £84m from YE 2022 primarily as a result of the payment of dividends and coupons, offset by VNB and other underlying operational impacts.

£1,686m

2022	£1,770m
2023	£1,686m

SOLVENCY COVERAGE RATIO

Calculated as Group Own Funds as a percentage of Group Solvency Capital Requirement ("SCR") (on a standard formula basis).

COMMENTARY
The mix of our fee base, between fixed and Annual Management Charge ("AMC")-based charges, and the equity symmetric adjustment contributed to the stability in the Solvency Coverage Ratio in 2023.

208%

2022	191%
2023	208%

SCOPE 1 AND 2 EMISSIONS

Percentage reduction in our Scope 1 and 2 emissions from 2022.

COMMENTARY
The adoption of renewable energy options, where possible, has resulted in a 26% reduction in the Group's Scope 1 and 2 emissions from the 2022 baseline year.

(26)%

2022	900.16tCO_2e
2023	665.04tCO_2e

STRATEGIC PILLARS

1. PROVIDING GOOD CLIENT OUTCOMES

2. DELIVERING GROWTH

3. OPERATING EFFICIENTLY

4. CREATING AN ENDURING BUSINESS

1. PROVIDING GOOD CLIENT OUTCOMES

STRATEGIC OBJECTIVES

– Working in partnership with our intermediaries to address client needs
– Extending our proposition offering to provide well designed and efficient solutions
– Delivering high-quality, consistent, and reliable client service

LINKED KPI:
– AUA
– Client Retention
– APE

PROGRESS DURING 2023
– Implemented the initial requirements of the FCA's Consumer Duty in our UK business
– Ongoing investment in our online digital capabilities to enhance customer experiences and reduce strain on customer service teams
– New products launched in France, Finland and Dubai International Financial Centre ("DIFC")

92%

UWS CLIENT RETENTION

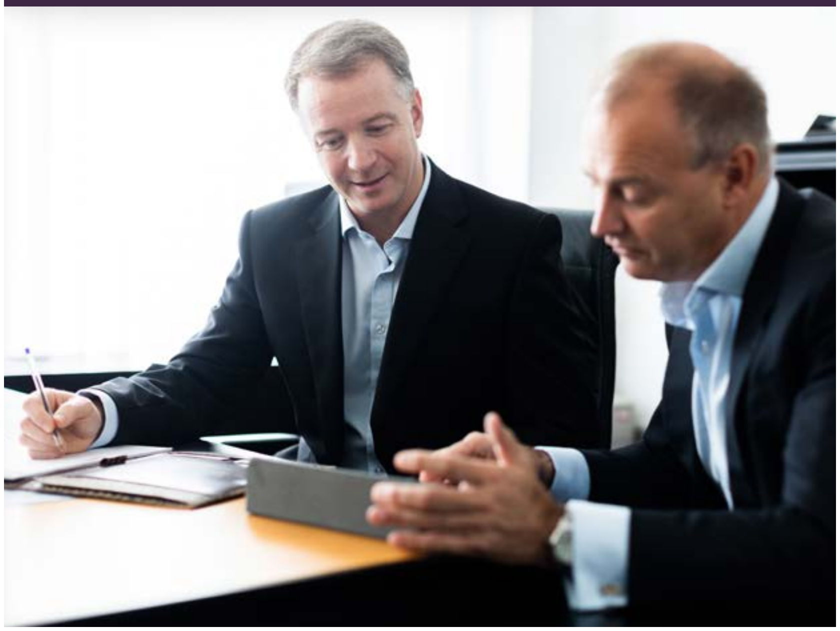
2. DELIVERING GROWTH

STRATEGIC OBJECTIVES

– Addressing demand drivers and operating in growth segments
– Utilise our competitive advantages to attract and retain customers
– Pursue inorganic growth opportunities, upholding a strict value accretive deal criteria

LINKED KPI:
– AUA
– Client Retention
– Operating Profit

PROGRESS DURING 2023
– Commenced work on our entry into the BPA market in our UK business
– Fitch Rating revised to a Positive Outlook, with our IFS and IDR ratings affirmed at 'A' and 'A-' respectively
– Stable performance in our core European markets, with strong growth in Portugal and Spain



3. OPERATING EFFICIENTLY

STRATEGIC OBJECTIVES

- Integration and optimisation of acquired businesses
- Streamlining operational processes and systems
- Invest in technology to enhance digital capabilities

LINKED KPI:
- VNB
- Operating Profit
- SII EV

PROGRESS DURING 2023
- Completed our exit off Quilter plc systems, with the Quilter International book fully integrated into Utmost International
- Initiated work to simplify our operational processes to reduce touchpoints and enhance customer experience
- Completion of the closure of AAM, to continue our strategic focus on partner-led distribution

4. CREATING AN ENDURING BUSINESS

STRATEGIC OBJECTIVES

- Maintaining financial and operational resilience
- Create a rewarding environment for our people to maximise their potential
- Contribute to a lasting positive impact on the environment and broader community

LINKED KPI:
- Solvency Coverage Ratio
- Employee Engagement
- Scope 1 and 2 Emissions

PROGRESS DURING 2023
- Positive Engagement survey score from all colleagues, with 82% response rate and 83% positive score
- Reduction in our Scope 1 and 2 operational emissions, with a 26% reduction from 2022 and trend tracking positively
- Over £75,000 raised for 65 charities across Utmost
- Published our Pathway to Net Zero, demonstrating our progress towards our 2050 net zero target in our shareholder assets

208%

SOLVENCY COVERAGE RATIO

STRATEGIC PILLARS: FORWARD-LOOKING FOCUS

1. PROVIDING GOOD CLIENT OUTCOMES

– Continue to embed Consumer Duty requirements and monitor upcoming expansions to the Act
– Investment in the capabilities of our customer service teams to ensure the delivery of excellent customer service
– Expand functionality of our Online Service Centres
– Assess opportunities in new and existing markets and respond to changing client demands. Ensure that our product portfolio reflects the needs of our client base

2. DELIVERING GROWTH

– Formally enter the BPA market and complete our first transaction
– Assess the UK closed book market to scan for future deals
– Continued focus on identifying strategic acquisitions, which meet our strict quantitative and qualitative criteria
– Expanding reach and product offerings in high potential markets

3. OPERATING EFFICIENTLY

– Further investment in our core platforms to drive productivity and support growth
– Standardisation of our International operational framework to enhance efficiency and to reduce silos

4. CREATING AN ENDURING BUSINESS

– Retain and attract key talent. Enhance productivity through structured mentoring and leadership development programmes
– Continue to reduce our operational emissions
– Progress against our net zero target in our shareholder assets
– Retain our strong capital position and deliver returns for our shareholders

BUSINESS MODEL

We are a leading UK-based insurance company with expertise in providing life, pension and savings solutions to help grow and protect our clients' financial futures.

Our business model is based on our strengths and experience and delivers robust returns to our stakeholders.

utmost™ GROUP

OUR STRENGTHS
- Entrepreneurial Agility
- Proposition Dexterity
- Acquisition and Integration Expertise
- Financial Resilience

OUR PEOPLE
We have an experienced, founder-led management team. Our employees are core to the Group, both individually and collectively.

OUR STRATEGY
1 Providing Good Client Outcomes
2 Delivering Growth
3 Operating Efficiently
4 Creating an Enduring Business

OUR VALUES
I Inspiring
M Motivated
P Personable
A Adaptable
C Collaborative
T Trustworthy

OUR CUSTOMER JOURNEY

utmost™ INTERNATIONAL

Offering unit-linked insurance policies to clients via our global network of intermediaries

READ MORE ON PAGES 24 AND 25

ATTRACT AND ENGAGE

We attract and engage clients across our global footprint.

In Utmost International we work with our established network of distribution partners to deliver leading propositions to customers.

Our closed book business, Utmost Life and Pensions, is expanding capability to start writing BPA business and engage with trustees in the transfer of members pension schemes to Utmost.

SERVE AND RETAIN

We are committed to providing good outcomes and building enduring relationships with our clients. Throughout our business we continue to invest in enhancing both our propositions and service levels to help our clients meet their financial needs.

DELIVER VALUE

We are structured to deliver value to all our stakeholders.

We generate revenue through fees and charges and returns on our investments. This revenue is reinvested in our business to support future growth, ensure strong operational delivery, and maintain financial resilience.

By reinvesting into our business, we are ensuring that we continue to meet our clients' needs, deliver value to all our stakeholders, and create an enduring business.

utmost™ LIFE AND PENSIONS

Managing closed life and pension books
Repositioning to capitalise on the growing BPA market

READ MORE ON PAGES 26 AND 27

THE STAKEHOLDERS WE SERVE

CLIENTS
92%

UWS CLIENT RETENTION

READ MORE ON PAGE 54

INVESTORS
£200m

DIVIDENDS PAID UP TO UTMOST HOLDINGS (GUERNSEY) LIMITED, THE GROUP'S IMMEDIATE PARENT COMPANY

READ MORE ON PAGE 54

EMPLOYEES
82%

RESPONSE RATE TO OUR SECOND ANNUAL EMPLOYEE ENGAGEMENT SURVEY

READ MORE ON PAGE 54

REGULATORS AND RATING AGENCIES
'A' with a Positive Outlook

INSURER FINANCIAL STRENGTH RATING

READ MORE ON PAGE 55

COMMUNITY & ENVIRONMENT
26%

REDUCTION IN OUR OPERATIONAL SCOPE 1 AND 2 EMISSIONS

READ MORE ON PAGE 55

SUPPLIERS
1

PLATFORM FOR ALL THIRD-PARTY CONTRACTS, TPRM[1] AND SUPPLIER ONBOARDING REDUCED FROM THREE IN 2023

READ MORE ON PAGE 55

1. TPRM: Third-Party Risk Management

UTMOST INTERNATIONAL

STRUCTURAL DEMAND DRIVERS

GLOBAL WEALTH

- Rising wealth and increasing financial awareness driving demand for investment solutions
- Significant client focus on wealth transfer and succession planning

TAX LANDSCAPE

- An increasingly complex environment, with growing scrutiny and demands for transparency across the globe
- Importance of expertise, in both product and service, to ensure clients' finances are compliant and efficient

MARKET ENVIRONMENT

CUSTOMER BEHAVIOUR

The needs and expectations of clients are constantly evolving. Navigating these changes is crucial to remaining competitive and providing a high-quality service. We continue to focus on enhancing our high-performing client service team and investment in digital solutions to be able to engage quickly and effectively with our clients.

The macroeconomic environment has continued to experience muted growth in 2023. The UK market, in particular, remains impacted by the rising cost of living and higher interest rate environment causing individuals to review their financial choices. At Utmost, we are confident that our focus on delivering long-term value and security, via our product offering, remains a key priority to clients.

COMPETITIVE LANDSCAPE

Consolidation has been a key theme in the international life assurance market, with Utmost historically benefitting as a key consolidator. Advisers and clients look towards corporate strength, alongside proposition and service, when differentiating across the industry. The M&A market continues to remain uncertain, with both availability and demand impacted, as economic headwinds persist.

Utmost is well positioned in the international life assurance market. The Group's financial strength complements our operational success factors and remains a differentiator. Our track record on executions and access to capital enable us to capitalise on opportunities as they arise.

WHAT WE DO

BUSINESS MODEL

Utmost International is a leading provider of wealth solutions, offering unit-linked life assurance policies via our global network of intermediaries.

Our products provide a tax efficient and transparent savings option to our affluent, HNW and UHNW clients.

Utmost International operates in the UK, Europe, the Middle East, Asia, and Latin America.

HOW WE DO IT

ATTRACT AND ENGAGE

DEEP, LONG-SERVING RELATIONSHIPS WITH INTERMEDIARIES, COUPLED WITH TECHNICAL EXPERTISE AND GLOBAL FOOTPRINT

Utmost International has an established network of distribution partners, Independent Financial Advisers ("IFAs"), and private banks who utilise our solutions as a core pillar of their customer service offering.

Our broad range of product offerings, alongside our capabilities to tailor for individual needs, enable us to adapt our propositions to serve a breadth of client requirements.

Our strong technical team have the experience and expertise to curate solutions, based on unit-linked fundamentals, to ensure the best quality outcome for our clients.

We have operations in the UK, Europe, Middle East, Asia, and Latin America, supported by established relationships with over 750 intermediaries, enabling us to attract and engage clients around the world.

SERVE AND RETAIN

TAX EFFICIENT SOLUTIONS, BASED ON SIMPLE, GLOBALLY RECOGNISED INSURANCE FUNDAMENTALS

Using life assurance based unit-linked products, Utmost International delivers tax efficient solutions that ensure flexibility, control and simplicity for the client.

Clients have access to a breadth of investment options across both guided and open architecture infrastructure. In 2023, Utmost International won the Best International Life Group (UK) award in the International Investment Awards and the Best Offshore Product Provider in the Professional Paraplanner Awards.

A key business priority is the continued strengthening of our client service teams, the interface between Utmost and our end clients. We equip them with the necessary tools and skills to solve our evolving client needs.

Our client service teams are supported by online service centres, that enable advisers and clients to access policy information quickly and seamlessly. We focus on helping our clients preserve their wealth and safeguard it for future generations. In doing so we seek to build enduring relationships.

DELIVER VALUE

STRONG STAKEHOLDER-FOCUS, WITH OUTCOME DRIVEN DECISION-MAKING

In conjunction with providing good client outcomes, we charge fees to our clients as a percentage of policyholder AUA. Our fees are a combination of annual management charges based on policyholder AUA, fixed or inflation-linked fees, and initial fees at the outset of the policy.

UTMOST LIFE & PENSIONS

STRUCTURAL DEMAND DRIVERS

DEMOGRAPHIC CHANGE

– Aging UK population causing significant implications to individuals wealth accumulation and decumulation planning
– Growing personal responsibility for retirement savings is driving demand for more flexible retirement models

RISK TRANSFER

– Increasing corporate specialisation and desire to transfer risk to insurers with industry expertise and appropriate business models
– Growing BPA market benefitting from higher interest rates combined with pension trustees' desire to de-risk, and move liabilities off their balance sheet

MARKET ENVIRONMENT

CUSTOMER BEHAVIOUR

Recent rapid rises in inflation have had the impact of eroding the value of pensions over time. This, combined with the ongoing shift towards individual responsibility for providing for retirement, has placed further pressure on customers to understand their long-term financial planning.

Utmost, along with other financial service providers, has a responsibility to help customers understand how they can appropriately manage their savings, ensuring they remain on track to meet their retirement goals. We are committed to providing clear and transparent access to relevant information to help customers make informed decisions.

COMPETITIVE LANDSCAPE

The UK's BPA market has experienced rapid growth over the past few years. This has been accelerated by the recent rise in interest rates and the desire from schemes to de-risk and exploit the improved funding positions.

Market experts project BPA demand to approach £500bn over the next decade, providing a significant opportunity for new participants given current market capacity falling short of demand.[1]

Utmost is well positioned to capitalise on this opportunity. With a supportive shareholder, access to the debt market and a PRA-approved Matching Adjustment, we have the established operational structure to enter this attractive market.

1. https://www.bankofengland.co.uk/speech/2023/april/charlotte-gerken-speech-bulk-annuities-conference

WHAT WE DO

BUSINESS MODEL

ULP is a UK-focused insurer providing long-term security to policyholders through the management of established life and pension books of business.

ULP is a closed book business, writing no external, individual new business. It has pursued a strategy of acquiring and consolidating life and pensions businesses in the UK and has roots going back over 100 years.

ULP operates in the UK and manages unit-linked, annuity and with-profits policies

HOW WE DO IT

ATTRACT AND ENGAGE

SECTOR EXPERIENCE, STRONG CAPITAL POSITION AND A TRACK RECORD OF SUCCESSFUL BUSINESS CONSOLIDATION

As a closed book business, Utmost Life and Pensions is not open to new customers.

The business has grown through acquisitions with ULP acquiring and successfully consolidating several books of business. Our expertise has enabled the demutualisation, reconstruction and seamless integration of acquired businesses into ULP. We remain well placed and receptive to continuing to add operational scale through further acquisitions in the UK.

The majority of ULP's business is the management of unit-linked policies with a small proportion made up of with-profits and annuities business.

As ULP expands its capability to start writing BPA business, it will begin to engage with trustees in the transfer of members pension schemes to Utmost.

SERVE AND RETAIN

COMMITMENT TO CUSTOMER FOCUS AND EFFICIENT OPERATIONAL MANAGEMENT

Our team, with 19 years average tenure, have extensive sector expertise. They successfully utilise their strong industry understanding and awareness of customer needs to deliver reliable and consistent operational delivery.

We have invested in our digital capabilities to reflect the changing needs of customers. We constantly invest in our servicing capabilities to ensure that all customers have easy access to the information that they need.

In addition to the effective management of in-force policies, we support customers wanting to consolidate their pension pots. This enables policyholders simplified long-term administration and better retirement planning.

DELIVER VALUE

STRONG STAKEHOLDER-FOCUS, WITH EFFICIENCY-LED DECISION-MAKING

ULP's strength lies in its ability to derive operational efficiency from our acquired books of business. Through our experienced teams, we are able to achieve economies of scale, pool risk and maintain capital strength.

Through our partnership with J.P. Morgan Asset Management ("JPMAM"), we provide our customers with a wide range of funds and leading investment solutions for customers and advisers. These solutions are under constant review to ensure that we continue to deliver value for our policyholders.

CHIEF FINANCIAL OFFICER'S REVIEW

Ian Maidens
Group Chief Financial Officer

Utmost Group delivered strong results for 2023, in another year characterised by macroeconomic challenges and geopolitical volatility.

Following a challenging 2022, when the impact of fast rising inflation was felt across most of the developed world, 2023 saw a continued emphasis on monetary policy looking to contain rising prices and wage growth.

Higher inflation and central bank hikes remained a headwind to consumer demand in many of our key markets. In the UK, gilt yields remained on their upward trend for most of 2023, peaking in the third quarter before falling in the final quarter of the year, in some cases to below end 2022 levels. The Group's results are particularly encouraging given this challenging environment.

In this CFO review, the results for FY 2022 have been restated to reflect the adoption of IFRS 17 (Insurance Contracts). No acquisitions have been completed since 1 January 2022 and the results for 2022 and 2023 therefore reflect the same underlying businesses and are on a fully consistent basis. Any synergies generated up to 31 December 2023 as a result of the integration of the Quilter International businesses into the Group are reflected in these results.

The financial performance of the Group is assessed using a variety of financial measures (see pages 16 and 17 of the Strategic Report). Our five core financial KPIs and client retention are discussed in detail below. These KPIs are considered alternative performance measures ("APMs") and are reconciled back to audited IFRS information on pages 162 and 163 of this Annual Report. The figures in this section subject to statutory audit are IFRS Profit before Tax, IFRS equity and IFRS expenses.

The 2022 comparative IFRS results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 2.1.1 of the Financial Statements.

ASSETS UNDER ADMINISTRATION

The Group's AUA was £62.8bn at YE 2023, an increase of £2.7bn from the YE 2022 AUA of £60.1bn. The bulk of the movement in the Group's AUA in 2023 was driven by higher market values for equity type assets, offset to some extent by slightly negative net flows. Utmost International gross inflows were £3.6bn and its outflows were £4.2bn to give Utmost International net flows of £(0.6)bn (£1.3bn positive net flows in 2022) as shown in Figure 1. The reduction in gross inflows in 2023 compared to 2022 reflects the modest reduction in new business written in 2023. Outflows increased from £2.9bn in 2022 to £4.2bn in 2023 reflecting both increased underlying AUA and the surrender of some large cases. Overall outflows remained in line with YE 2022 persistency assumptions.

The majority of the Group's assets are backing unit-linked policies within our UWS and ULP businesses, with a small proportion of assets (approximately 5%) backing pension and savings products within the UCS business and non-linked business within ULP and Utmost Worldwide ("UW") in Guernsey.

The Group revised the calculation of its AUA KPI in 2023. The previous calculation primarily included assets backing linked liabilities whereas the revised calculation includes assets backing linked liabilities and non-linked insurance liabilities and therefore provides a more accurate view of the Group's earnings capability. The revised definition is more closely aligned to other insurance groups and therefore provides greater comparability for users of the financial statements.

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

Our UWS platform offers clients and advisers access to a full range of asset classes, investment managers and investment solutions, enabling them to tailor their investments to meet their risk and return appetites. Clients or their advisers can select from a broad selection of funds on our Open Architecture range, or from a more selective Guided Architecture range, whose constituent funds are selected by Utmost Portfolio Management ("UPM"), the Group's fund management subsidiary.

The performance of the ULP fund range was strong with longer-term performance demonstrating good investment outcomes for clients, with 98.7% of AUA ahead of benchmark over three years. ULP consistently monitors asset performance, including that of the unit-linked funds, particularly in relation to the Managed Funds operated by JPMAM, which form the majority of the unit-linked AUA.

NEW BUSINESS ANNUAL PREMIUM EQUIVALENT

APE was £349m in 2023 compared to APE of £397m in 2022 reflecting management actions to preserve quality and to protect margin in an environment where adviser activity across the market has remained muted and competition intense. The 12% reduction in APE in 2023 compared to 2022 reflects lower volumes of new business in established markets partially offset by a strong sales performance in the Group's growth markets.

UWS APE of £344m in 2023 compares to UWS APE of £393m in 2022. UCS APE was resilient at £5m in 2023 compared to £4m in 2022. Retention rates within UCS remained strong, reflecting our commitment to market-leading service and efficient claims administration in this business.

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

UTMOST INTERNATIONAL	Opening AUA 1 Jan	Inflow	Outflow	Net Flow	Market	Closing AUA 31 Dec
2023	**51.9**	**3.6**	**(4.2)**	**(0.6)**	**3.3**	**54.6**
2022	55.9	4.2	(2.9)	1.3	(5.3)	51.9

FIGURE 2: KEY PERFORMANCE INDICATORS

	2023 total £m	2022 total £m
AUA[1]	**62,834**	60,140
APE	**349**	397
VNB	**55**	48
Operating Profit	**212**	184[2]
SII EV	**1,686**	1,770
Client Retention		
UWS	**92%**	94%
ULP	**93%**	93%
UCS	**86%**	88%
Other Financial Highlights		
IFRS Profit before Tax	**61**	(7)[2]
Expenses	**209**	198[2]

STRATEGIC REPORT

VALUE OF NEW BUSINESS

VNB is a measure of the profitability of new business written after allowing for the cost of administering it. VNB is calculated on an economic basis, consistent with the Solvency II balance sheet and adjusted to include value that would otherwise be excluded by the application of contract boundaries. In 2023, the Group's VNB was £55m, a 15% increase compared to the 2022 VNB of £48m. The increase in VNB reflects the improvement in VNB margin (defined as VNB divided by APE) from 12.1% in 2022 to 15.9% in 2023, offset in part by the reduction in the volume of new business written.

The solutions provided by UWS and UCS tailor to the bespoke and often complex requirements of our client base. As a result, our business continues to maintain healthy margins in spite of the proliferation of purely online propositions. An increasingly complex pensions, savings and taxation landscape means our clients demand tailored solutions and advice. As such, while technology-driven solutions offer opportunities to ease client interactions and deliver operational and administrative efficiency, a purely technology-driven solution cannot meet all our clients' financial needs.

SOLVENCY II ECONOMIC VALUE

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

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

The Group SII EV (net of debt) reduced from £1,770m at 31 December 2022 to £1,686m at 31 December 2023, as shown in Figure 3 below. The most significant influences on this reduction in net SII EV were:

i. the payment of £200m of dividends to Utmost Holdings (Guernsey) Limited ("UHGL") in 2023 which was used to return capital to the Company's ultimate shareholders;
ii. the payment of £34m of coupons on the Group's Tier 2 and Restricted Tier 1 ("RT1") notes;
iii. VNB of £55m; and
iv. other underlying operational and market impacts of £95m.

The underlying operational and market impacts of £95m are a strong result, reflecting the net impact of weak equity markets, falls in bond markets, higher short-term interest rates and continued high inflation, offset by the unwind of the discount rates used to value existing business and the delivery of expense synergies.

The Group's economic debt ratio at YE 2023 was 29.3% (YE 2022: 28.4%) which is within our 20%-30% Gross SII EV target range.

OPERATING PROFIT

Operating Profit, as an APM, for 2023 was £212m. This compares to an Operating Profit of £184m[2] for 2022 on an IFRS 17 basis. The increase in Operating Profit compared to the restated 2022 figure reflects an increase of £48.9m in Other Income (reflecting higher returns earned on shareholders assets) and an increase of £17.8m in the Net Financial Result. This was offset by a reduction of £19.5m in fee income on investment contracts and a reduction of £5.2m in the Insurance Service Result.

CLIENT RETENTION

The Group uses client retention as a non-financial KPI as a measure of client experience. We have elected to report this separately for each business (UWS, ULP, UCS) given the different dynamics of each business.

UWS' client retention was 92% in 2023. High retention rates are driven by a strong proposition and good client service, as well as the inherent product features, where some benefits may be lost, or tax payments crystallised upon early surrender.

UCS' retention rate was 86% in 2023, broadly unchanged from 88% in 2022, and reflecting the continuing loss of some business. This is as a result of the "catch up" of re-tendering processes which were postponed in 2020, 2021 and the first half of 2022.

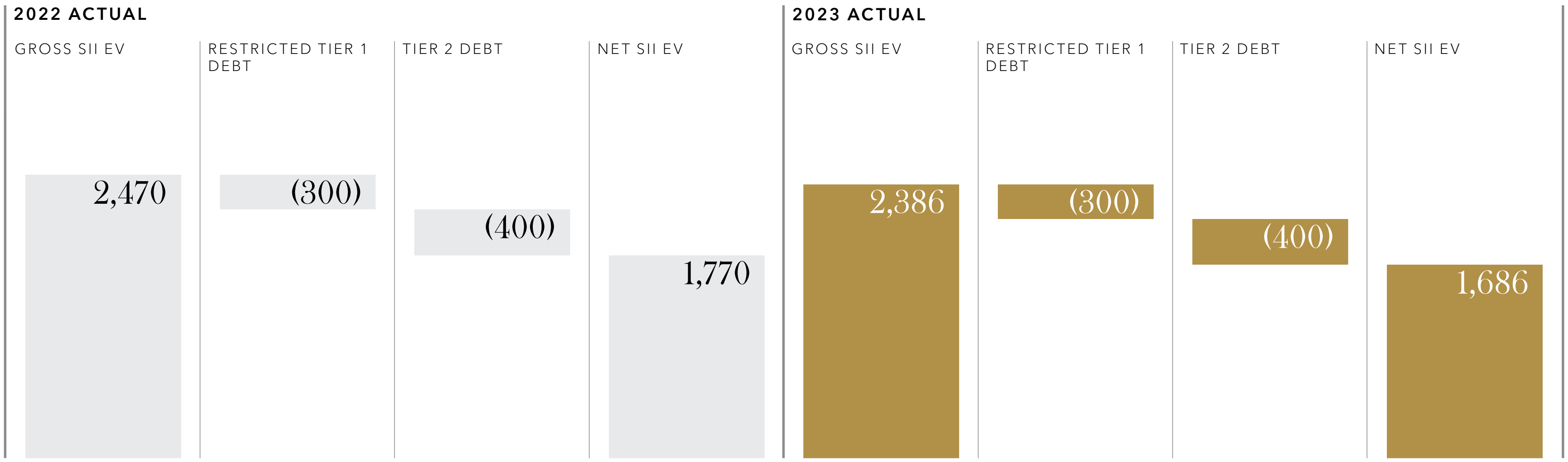
Pricing on UCS business has continued to increase in 2023, a factor in the Group's insurance revenue increasing from £233.6m in 2022 to £253.8m in 2023, notwithstanding the slight reduction in the UCS retention rate.

ULP retained the vast majority of individual clients with a retention rate of 93%, in line with our long-term assumptions in 2023. Overall, the UK business continues to maintain a high retention rate, helped by the launch of a Flexible Drawdown proposition.

IFRS PROFIT BEFORE TAX

The Group's IFRS Profit before Tax ("IFRS PBT") for 2023 is £61m, compared to a loss of £7m[2] in 2022, as reported in the financial statements.

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



IFRS PBT includes one-off items such as acquisition and integration expenses and gains arising on bargain purchase when an acquisition completes, as well as the amortisation of acquired value of in-force business ("AVIF") over time. The 2023 IFRS PBT reflects the amortisation of £123.0m of AVIF compared to £142.0m[2] in FY 2022. The amortisation schedule in relation to AVIF tends to be front end loaded so that, in the absence of further acquisitions, the charge in relation to AVIF amortisation is expected to continue to reduce period on period, bringing the IFRS PBT closer to Operating Profit all other things being equal. There was no gain arising on bargain purchase in 2023 or in 2022.

Due to the impact of one-offs in the calculation of IFRS PBT, the directors consider Operating Profit to be the key performance indicator of the Group's profitability for internal purposes, and review IFRS PBT as a further financial metric of profitability.

IFRS EQUITY

The IFRS equity of the Group decreased from £1,252m at 31 December 2022 to £1,090m at 31 December 2023. These figures are both net of the Company's Tier 2 notes but are not net of the RT1 notes, as the latter are treated as equity for IFRS purposes. IFRS equity is also calculated net of the Contractual Service Margin ("CSM") on Insurance business under IFRS 17.

An analysis of the change in the net CSM over the year is shown in Figure 4 below. Positive experience, along with resulting methodology and assumption changes, have increased the net CSM. New business CSM is expected to be volatile as UWS products, typically classified as investment contracts under IFRS 9, are classified as insurance contracts under IFRS 17 when certain riders or benefits are added. As the CSM only includes insurance contracts the Group's preferred new business metric is VNB.

The £162m decrease in IFRS equity during 2023 primarily reflects the £200m of dividends paid to UHGL in 2023, the £14.1m coupon paid on the RT1 notes and the IFRS Profit after Tax of £54.1m for the year. The Group's Net (of reinsurance and tax) CSM increased by £23.0m from £48.6m at FY 2022 to £71.6m at FY 2023.

Only around 10% of the Group's business is classified as "Insurance Business" under IFRS accounting standards. It is only this small minority of the Group's business that is therefore subject to IFRS 17. As a result, the transition to IFRS 17 has had only a modest impact on the Group's IFRS equity and the Group's Net (of reinsurance and tax) CSM is relatively small.

Fitch Ratings ("Fitch") use "Adjusted Shareholders' Equity" for the purpose of calculating the Fitch financial leverage ratio. The adjustments add back both the Group's Net CSM and the Fund for Future Appropriations ("FFA") in the ULP business as shown in the table below.

	FY 2023 £m	FY 2022 £m
Reported IFRS Equity	1,090	1,252[2]
Group Net CSM	72	49
ULP FFA	63	69
Adjusted Shareholders' Equity	1,225	1,370

The Fitch financial leverage ratio increased to 24.6% at 31 December 2023 from a restated 22.6% at 31 December 2022, remaining well within the range appropriate for the ratings currently assigned to the Group by Fitch.

EXPENSES

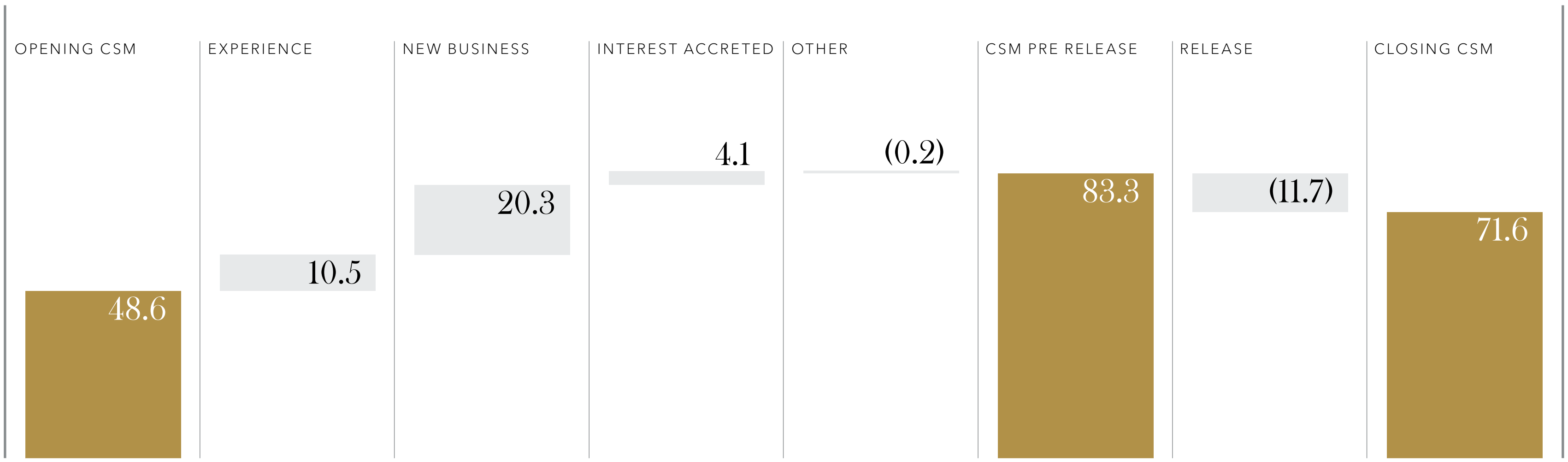
On an actual basis, as included in the consolidated financial statements, administrative expenses (including commission expenses) were £11m higher at £209m in 2023 compared to £198m[2] in 2022, with a breakdown in the table below.

This increase reflects inflationary pressures offset by the delivery of further synergies related to the integration of the acquired Quilter International business. This integration was completed in October 2023 and as a result development expenses were slightly lower in 2023 than in 2022. A breakdown is shown below.

Cost control remains a key pillar of our Target Operating Model and will continue to create operational savings and drive synergies throughout the business in the coming years.

	2023 £m	2022 £m
Operating expenses	179.2	164.1
Depreciation/Amortisation	5.9	6.8
Development expenses	24.0	27.2
TOTAL	209.1	198.1

FIGURE 4: 2023 CSM NET OF REINSURANCE AND TAX



STRATEGIC REPORT

OPERATING CAPITAL GENERATION

Significant operating capital is generated from the in-force book over the plan horizon and beyond. Figure 5 shows capital emergence anticipated from the in-force book, defined as any capital in excess of the capital requirements for each life company. This analysis is based on the 2023 Business Plan using economic assumptions at 30 June 2023 with no allowance for the actual performance of investment markets over the second half of 2023. In practice the actual gross SII EV at 31 December 2023 was £2,386m, around £40m higher than projected in the plan. The analysis is completed at an entity level to demonstrate capital available to the Group and excludes the impacts of new business and does not include approximately £450m of existing capital in excess of capital policies at YE 2023.

Total capital emergence over the projected life of the in-force business, including this £450m, is estimated as £3,401m. The increased value reflects a simple cash flow, rather than discounted approach, and the inclusion of real-world investment returns. In practice, the operating life companies paid aggregate dividends and interest of £237m to Group holding companies during 2023.

Figure 6 below shows the capital impact of writing new business during 2023. The Group invested £24m of capital to support the writing of approximately £3.5bn of new business liabilities in 2023. This is a modest increase in capital investment compared to 2022 (investment of £19m) and reflects a move away from products with surrender penalties in the early years (such products tend to have a higher cash strain but a reduced capital strain).

These figures demonstrate Utmost Group's capital light approach to product design. The new business written in 2023 adds an additional £139m of capital emergence, further enhancing the Group's anticipated capital generation over and above what is shown in Figure 5. This additional return of £139m compares to the VNB written in 2023 of £55m (the difference reflecting the lack of discounting, the inclusion of real-world investment returns and the return of capital invested).

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

The aggregate cash expected to emerge from the in-force business of £3,401m is expected to be utilised as shown in the table below.

Interest on debt capital instruments[3]	£182m	Assumes RT1 repaid at first call date
Repay debt capital instruments	£700m	
GHO expenses[4]	£255m	
Available for dividend or reinvestment	£2,264m	To finance new business, finance new acquisitions, or paid to shareholders as dividends
Total	£3,401m	

Compared to the same disclosure in previous Annual Reports, the cash emerging over the run-off of the in-force business which is projected to be available for dividend or reinvestment has increased from £1,741m at YE21 to £1,949m at YE22 and £2,265 at YE23. The strong growth in this metric over the last couple of years reflects the transition to a higher risk free rate environment under which real world investment returns are now expected to be materially higher than was previously forecast.

OPERATING COMPANY LIQUIDITY

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

Due to the nature of unit-linked products, under which claims on policies are only paid once assets have been realised from the underlying unit-linked funds, policyholder-related liquidity requirements are relatively low.

The main liquidity requirements in our operating companies relate to expenses and policyholder claims on non-linked business. The Group does not have any material requirements in respect of collateral requirements held against derivative contracts. Each of the Group's life companies maintains a liquidity buffer of at least 10% over their expected outflows over a one-year period at all times.

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

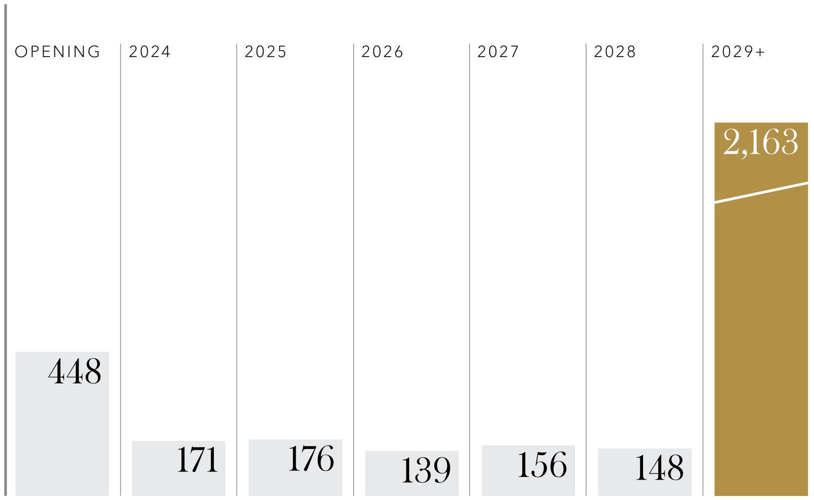
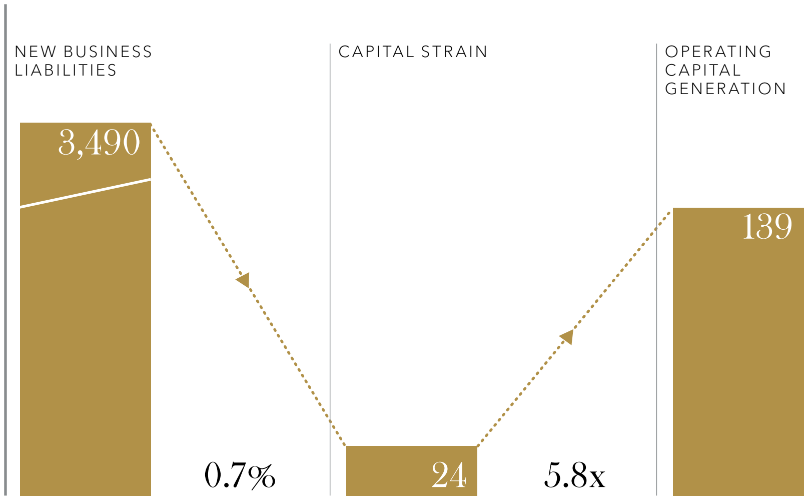


FIGURE 6: CAPITAL IMPACT OF WRITING NEW BUSINESS (IN £m)



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

HOLDING COMPANY CASH

Cash is held at the holding company level to cover GHO costs and one year's interest costs on the Group's debt capital instruments, in each case net of expected tax relief. Excess cash not required for these purposes is available to be reinvested in the business, to fund future acquisitions, or to be paid as a dividend to the Group's immediate shareholder, UHGL.

Cash held at holding companies at 31 December 2023 was £35m compared to £38m at 31 December 2022. An analysis of the change in cash held at holding companies over the period is shown in Figure 7 below. £237m of dividends were received from operating companies during the period. After allowing for GHO expenses and the coupon payments on the Tier 2 and RT1 loan notes, the bulk of the cash received at GHO was used to pay dividends to UHGL with the net holding company cash at the end of the period being £35m.

CAPITAL STRENGTH AND SOLVENCY POSITION

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

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

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

The Group's life companies seek to maintain a strong solvency position and have each adopted capital policies to ensure that this is the case. The capital policies for the various life companies within the Group are summarised in Figure 8 together with their actual Solvency Coverage Ratios as at end 2023. The Solvency Coverage Ratio of each entity at 31 December 2023 was comfortably in excess of its capital policies, as shown in Figure 8.

UW and Utmost International Isle of Man ("UIIOM") are also required to ensure that they meet the regulatory capital standards in respect of each of their branches. In the case of most of these branches, the branch solvency reporting applies to the relevant branch business only. However, UW and UIIOM currently have to satisfy Hong Kong capital standards on a whole company basis. At 31 December 2023 the Solvency Coverage Ratios of UW and UIIOM on a Hong Kong basis were 572% and 31,455% respectively.

Utmost Group is subject to full Group-level solvency regulation by the PRA. OCM Utmost Holdings Ltd ("OUHL"), the ultimate parent company of the Group is subject to group regulation by the PRA on an "Other Methods" basis. In addition, in the absence of an agreement between the UK and the EU on equivalence, the Central Bank of Ireland ("CBI") undertake group regulation on an "Other Methods" basis of Utmost Topco Limited ("Topco") and its subsidiaries. Topco is the immediate subsidiary of OUHL. The Group Solvency Coverage Ratio is calculated as Group Own Funds as a percentage of Group Solvency Capital Requirement ("SCR") (on a standard formula basis). There are no material differences between the "Other Methods" reporting to the PRA and the CBI and the full Group reporting undertaken by UGP.

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

FIGURE 7: FY 2023 HOLDING COMPANY CASH DEVELOPMENT (IN £m)

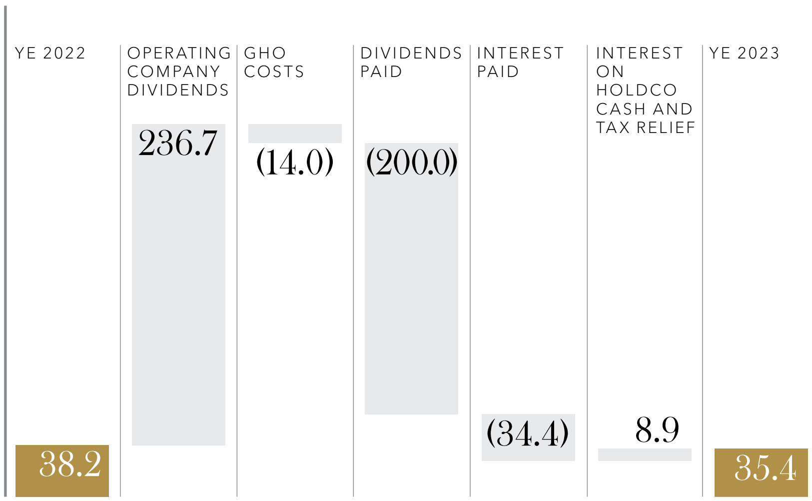


FIGURE 8: ENTITY SOLVENCY AND CAPITAL POLICIES

ENTITY	Solvency Coverage Ratio 31 December 2023	At all times	Immediately Post dividend
Utmost International Isle of Man Limited	185%	125%	150%
Utmost PanEurope dac (inc. WTA[5,6])	154%	135%	150%
Utmost PanEurope dac (exc. WTA[5,6])	116%	100%	110%
Utmost Worldwide Limited	192%	135%	150%
Utmost Life and Pensions Limited	216%	135%	150%
Utmost Group plc	208%	135%	150%

FIGURE 9: GROUP SOLVENCY II CAPITAL

	2023 £m	2022 £m
Own Funds	2,110	1,900
Solvency Capital Requirement	1,016	996
Solvency Coverage Ratio	208%	191%

The Group had Own Funds of £2,110m and a Group Solvency Coverage Ratio of 208% at YE 2023 as shown in Figure 9. It should be noted that the calculation of Group Solvency for reporting to the PRA is calculated on the basis that the PRA calculation of the Risk Margin applies in all group entities. The changes to the calculation of the Risk Margin on 31 December 2023 resulted in around a two-thirds reduction in the Group Risk Margin and an equivalent increase in Group Own Funds. Without this change the Group Solvency Coverage Ratio would have been around 190%, approximately the same as at YE 2022.

The mix of our fee base, between fixed and AMC-based charges, and the equity symmetric adjustment contributed to the stability in the Solvency Coverage Ratio during the course of 2023 prior to the change in the calculation of the Risk Margin.

In practice local solvency regulations apply in Ireland and the Isle of Man and it is these that govern dividend capacity from the local entities up to group holding companies. The solvency position of UPE and UIIOM shown in Figure 8 are therefore calculated on the local solvency basis, not on the PRA basis.

SENSITIVITY ANALYSIS

The Group has an extremely resilient solvency position due to the active management of key risks. Solvency Coverage ratios of each of our operating life companies, and of the Group itself, were very stable throughout 2023.

A large downward equity event, as experienced in 2022, reduces Own Funds but has a positive impact on solvency. The positive solvency impact is driven by three key areas: a high NAV to Value of In-Force ("VIF") business ratio of shareholder assets, reduced SCR impact from the equity symmetric adjustment and the mixture of fixed and AMC-based charges.

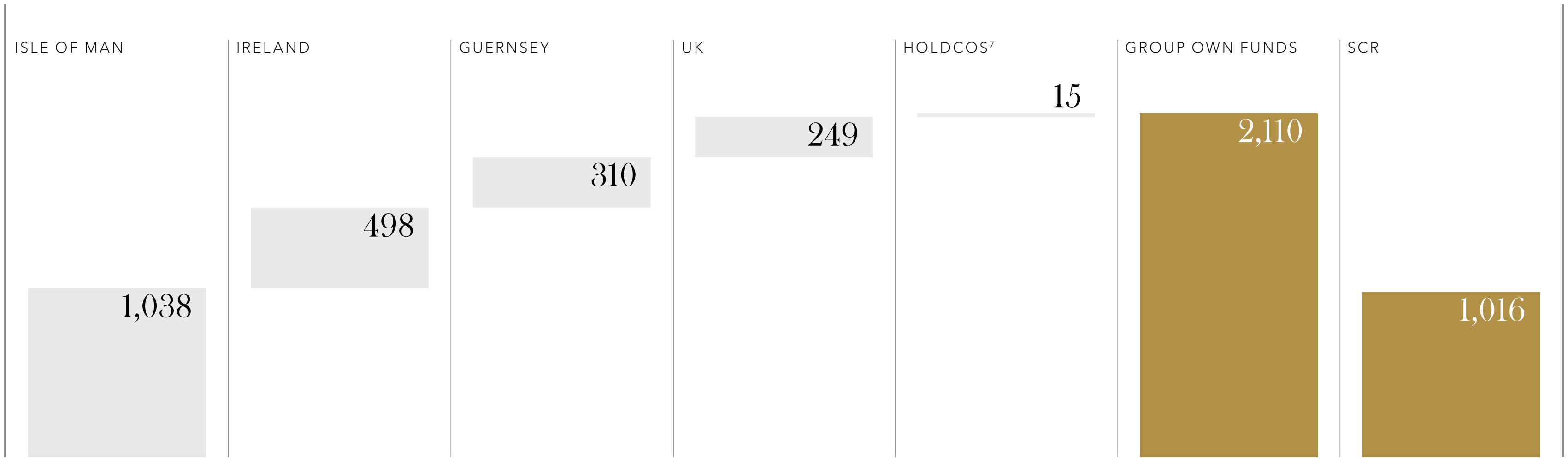
The primary risk that impacts the Group's solvency and Own Funds adversely is expenses (including the impact of inflation on expense levels). Cost control remains a key pillar of our Target Operating Model.

The Group also has exposure to lapse risk as most policyholders can switch their funds to another provider. Higher lapses reduce the Own Funds but increase the Solvency Coverage Ratio as capital held against the switched funds is released. Similarly, lower lapses increase the Own Funds but reduce the Solvency Coverage Ratio. In practice, lapse rates on the Group's savings products have historically been low, particularly in the Utmost International businesses reflecting the long-term inheritance planning purpose for which many of the products are purchased. We did not see any material changes in lapse experience during 2020 or 2021 as a result of either the Covid-19 pandemic or its impact on investment markets and the socio-economic environment generally. Furthermore, lapse experience since has generally improved relative to the assumptions, notwithstanding the difficult geopolitical outlook and volatile investment market conditions.

The solvency sensitivities shown in Figures 11 and 12 take account of restrictions (if any) in the ability to count the RT1 loan notes or the Tier 2 loan notes as capital at Group level in the sensitivity concerned.

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

FIGURE 10: UTMOST GROUP SOLVENCY POSITION – 2023 ACTUAL (IN £m)



BORROWINGS

The Group has two external instruments in place: a £400m 4.0% Tier 2 loan note issued in September 2021 and a £300m 6.125% RT1 loan note issued in January 2022. Both instruments are listed on the Global Exchange Market ("GEM") in Ireland.

The Group maintains a prudent capital structure and aims to target a leverage ratio between 20%–30% of SII EV, gross of debt. As at 31 December 2023, the leverage ratio on this measure was 29.3% (YE 2022: 28.4%).

CREDIT RATING

The Utmost International operating subsidiaries maintained their IFS ratings of 'A' and UGP maintained its IDR of 'A-' throughout 2023. This reflects the strong capitalisation and stable leverage ratios of the Group. Following completion of the Fitch Ratings annual ratings review in June 2023, all of the Group's ratings were adjusted from Stable Outlook to Positive Outlook. Fitch noted that this improvement in Outlook reflected the Group's "improving business risk profile, supported by meaningful progress in integrating the Quilter International business and Fitch Ratings' view of substantially reduced integration and execution risks".

In March 2024, Fitch Ratings made certain changes to its insurance ratings criteria. In particular, it reduced the Solvency II hybrid notching from the IDR anchor for RT1 instruments. As a result of this change on 7 March 2024 the rating of the Group's RT1 debt instrument changed from "BB+ (Positive Outlook)" to "BBB- (Positive Outlook)". This welcome change means that both of the Group's listed instruments are now rated as Investment Grade.

POST-BALANCE SHEET EVENTS

There have been no material post-balance sheet events.

SUMMARY

The Group continued to make strong progress in 2023. Our balance sheet is strong and resilient, enabling us to provide a high level of security to our clients. Our strong financial position enables the Group to invest in the continued development of our business through organic growth and further acquisitions. The strength of the Group is evidenced through the consistency of its financial strength and operating performance through the uncertain environment over the year.

Ian Maidens
Group Chief Financial Officer

> "Our balance sheet is strong and resilient, enabling us to provide a high level of security to our clients. Our strong financial position enables the Group to invest in the continued development of our business through organic growth and further acquisitions."

1. The Group revised the calculation of its AUA KPI in 2023. The previous calculation primarily included assets backing linked liabilities whereas the revised calculation includes assets backing linked liabilities and non-linked insurance liabilities
2. The 2022 comparative IFRS results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 2.1.1 of the Financial Statements
3. Net of 25% tax relief
4. Group Head Office ("GHO") expenses approximated as 30 times long-run expense estimates, net of 25% tax relief
5. Withholding Tax Asset as detailed further in note 16 of the consolidated financial statements in the UGP 2023 Annual Report
6. Post €15m foreseeable dividend
7. The HoldCos Own Funds balance includes the elimination of a £20m intragroup Tier 2 loan

FIGURE 11: OWN FUNDS SENSITIVITIES
31 DECEMBER 2023

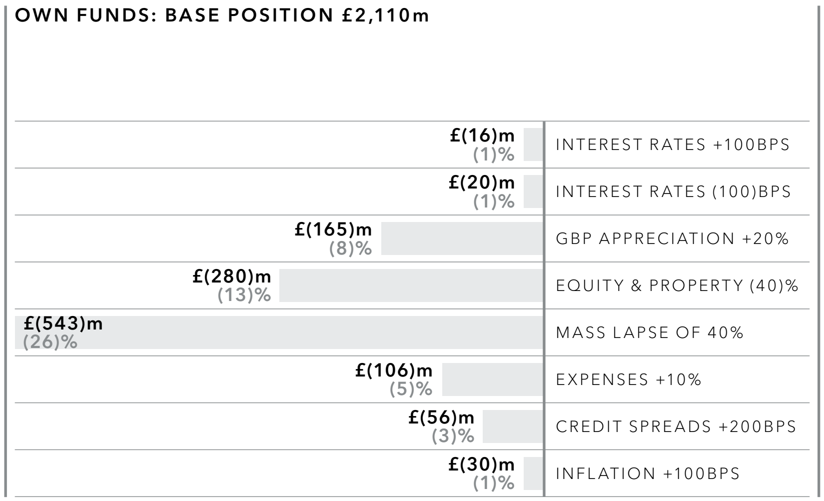
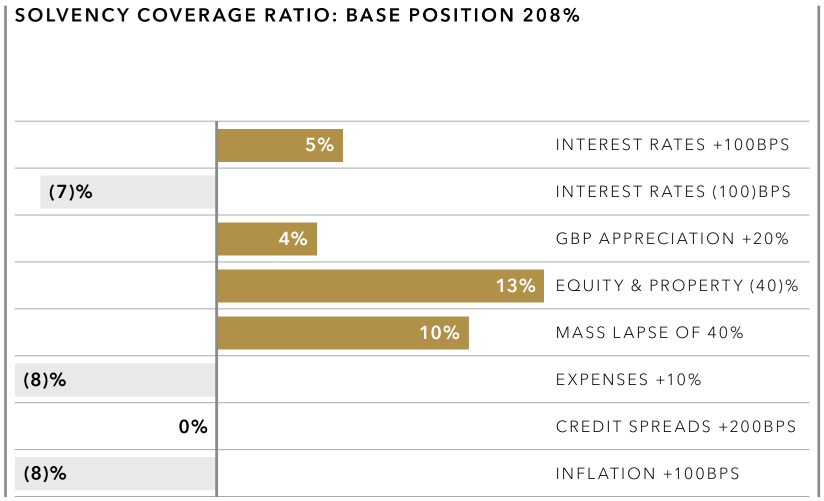


FIGURE 12: SOLVENCY COVERAGE RATIO SENSITIVITIES
31 DECEMBER 2023



SUSTAINABILITY

PAUL THOMPSON
GROUP CHIEF
EXECUTIVE OFFICER

The Group remains committed to being a responsible business. It is imperative that we continue to consider the impact of our activities over the long term, not just for our clients, employees and investors, but for future generations.

The actions we take are underpinned by our broader purpose to make a positive difference, building a brighter future for our clients and better serving all stakeholders.

2023 saw a continuation of the geopolitical and economic challenges that characterised 2022. This has contributed to a slowing of momentum in the collective efforts to reach net zero – as the focus shifted towards the short term. The shadow of climate change lingers however, with news of extreme weather events – wildfires, floods, and droughts – characterising 2023. The intensity and frequency of these is in no doubt exacerbated by climate change. While scientists have stated that the achievement of the Paris Agreement is not out of reach, the frequency and severity of these events continues to be a significant reminder of the need for greater urgency of action to limit climate change, and a shift in collective attention to the longer term.

It is important that dialogues on sustainability incorporate more than just climate-related discussions. A key factor for the longevity of the Group is how we manage our relationship with our workforce and the societies in which we operate. To reflect this, two of our sustainability pillars – Stakeholder Outcomes and People Development – articulate our commitment to strengthen these bonds and relationships.

Our strong governance framework ensures robust oversight and processes are in place, enabling us to deliver long-term value creation for our shareholders and maintain consistent financial performance. This reinforces us as a long-term and resilient partner to all our stakeholders.

FURTHER DETAILS ON OUR CORPORATE GOVERNANCE FRAMEWORK CAN BE FOUND ON PAGES 68 TO 76

“It is imperative that we continue to consider the impact of our activities over the long term, not just for our clients, employees and investors, but for future generations.”

Our 2023 Sustainability Report demonstrates both the Group’s commitment to building a better future and the strides we have made to embed responsible business considerations across Utmost. I am proud of the work that we have done, but acknowledge, as always, that more can be done. Utmost remains committed to playing its part in creating a sustainable world for the next generation.

Our Sustainability Report is made up of three sections that set out our approach to sustainability.

OUR SUSTAINABILITY STRATEGY REPORT

Sets out our four sustainability pillars and details our progress against our commitments

SEE PAGE 37

OUR PATHWAY TO NET ZERO

Highlights our net zero target in our shareholder investment portfolio by 2050. It outlines how the Group aims to achieve this commitment and our progress to date

SEE PAGE 41

OUR CLIMATE-RELATED FINANCIAL DISCLOSURES

Drafted in accordance with recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), articulates our assessment of climate-related risks and opportunities across the pillars of governance, strategy, risk management, and metrics and targets

SEE PAGE 46

OUR SUSTAINABILITY STRATEGY REPORT

At Utmost, we are dedicated to making a positive difference, building a brighter future for our clients and better serving all stakeholders. This means we have a responsibility to consider the environmental, social and economic impacts of the actions we take on our stakeholders – both present and future.

Our Sustainability Strategy Report sets out the four pillars through which we look to achieve this and our progress against these.

STAKEHOLDER OUTCOMES

OUR COMMITMENTS:

CONTINUE TO ENHANCE OUR PROPOSITIONS AND SERVICE QUALITY TO IMPROVE CLIENT OUTCOMES

EMPHASIS ON ECONOMIC VALUE CREATION AND ENDURING FINANCIAL DELIVERY

BE AN ACTIVE PARTICIPANT IN OUR LOCAL COMMUNITIES

ENVIRONMENTAL IMPACT

OUR COMMITMENTS:

MINIMISE THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS AND SUPPLY CHAINS

REGULAR AND TRANSPARENT REPORTING ON OUR SUSTAINABILITY ACTIVITIES

EMBED CLIMATE RISK CONSIDERATIONS IN BUSINESS-AS-USUAL PROCESSES

PEOPLE DEVELOPMENT

OUR COMMITMENTS:

CREATE AN ENVIRONMENT WHERE OUR PEOPLE CAN ACHIEVE THEIR ASPIRATIONS AND REACH THEIR FULL POTENTIAL

INCREASE DIVERSE REPRESENTATION AND STRENGTHEN OUR LEADERSHIP FOCUS ON DIVERSITY, EQUITY AND INCLUSION

ENRICH EMPLOYEE ENGAGEMENT AND LEARNING TO DEVELOP OUR TALENT

RESPONSIBLE INVESTMENTS

OUR COMMITMENTS:

FULFIL OUR DUTIES AS A SIGNATORY TO THE UN PRINCIPLES FOR RESPONSIBLE INVESTMENT ("UN PRI") AND MEMBER OF THE INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE ("IIGCC")

NET ZERO 2050 TARGET FOR OUR SHAREHOLDER INVESTMENT PORTFOLIO AS MEASURED BY CARBON INTENSITY

INTERIM TARGET TO HALVE THE CARBON INTENSITY OF THE SHAREHOLDER INVESTMENT PORTFOLIO BY 2030

STAKEHOLDER OUTCOMES

KEY HIGHLIGHTS 2023:

- Implemented the initial requirements of the FCA's Consumer Duty in our UK business

READ MORE IN THE CEO REPORT ON PAGES 12 TO 15

- Initiated work to simplify our operational processes to reduce touchpoints and enhance customer experience

Utmost Group aims to make a positive difference to all our stakeholders. Aligned to our strategic pillar of creating an enduring business, it is crucial that we maintain strong, long-term relations with our external stakeholders and communities.

We are passionate about contributing to local causes to ensure that our communities thrive and prosper. Reflecting this, we were delighted to provide support to 65 local charities raising over £75,000 in 2023. We are committed to helping our employees to support a range of charities to create impactful change in their communities. To enable this, all colleagues are offered a paid volunteering day which they can use to help make a positive difference in the communities where we operate.

Improving client outcomes is a core pillar of our strategy and our sustainability objectives. We continue to reinforce a client-led focus and a prioritisation of service quality in both our culture and ways of working. In 2023 we expanded our proposition by launching new products in our French, Middle Eastern, and Finnish markets. We have also increased investment in our back office systems and tools to improve service quality.

Following the successful integration of Quilter International, our emphasis has been on ensuring we remain able to achieve the high levels of service demanded by our clients. Throughout 2024 these areas will remain a priority as the business continues its push for improved client outcomes and value. More information on our approach to customers can be found on page 19.

We have begun work on aligning the procurement processes and systems across Utmost Group. This simplification enables us to set expected standards of our suppliers consistently across the Group. In 2024, we will produce a Supplier Standard that will set out our minimum expected standards across Environmental, Social and Governance ("ESG") metrics.

ENVIRONMENTAL IMPACT

KEY HIGHLIGHTS 2023:

- Reduction in our operational emissions, achieved through usage reduction and renewable energy uptake
- Expanded our publicly reported climate risk metrics, creating greater accountability with respect to our targets

The Group has a responsibility to continue to reduce its environmental impact and to protect the environment. We take this responsibility seriously.

The emissions from our investment portfolio are the largest drivers of our overall carbon footprint. Our steps to reduce these can be found in the Responsible Investment pillar on page 40 and in our Pathway to Net Zero on pages 41 to 45.

We are making active steps to reduce our operational Scope 1 and 2 emissions. This year, we moved to renewable energy in our Aylesbury, London and Dublin offices. This, alongside the merger of our two Isle of Man offices, was a significant driver of the reduction of our operational emissions by 26%.

The Isle of Man remains the largest contributor to our operational emissions. In early 2024, the Isle of Man will be an early adopter to the island's new green energy tariff, reflecting our commitment to emission reduction. This will result in a significant reduction in our overall operational emissions, without the need for offsets. The Group has decided to suspend the use of offsets to achieve carbon neutrality given their opaque benefit and questions around their permanence and effectiveness. Instead, acknowledging the importance of investment in carbon reduction strategies, we have funded work by the Cumbria Wildlife Trust to rejuvenate peatland bogs – a significant natural carbon store. Further details can be found overleaf.

Full details on our operational emissions on a tCO_2e basis can be found in our Streamlined Energy and Carbon Reporting ("SECR") overleaf.

Details on our overall approach adopted by the Group to identify, assess, manage, monitor and report risks associated with climate change as it impacts our investments, and our operations can be found in our Climate-Related Financial Disclosures on pages 46 to 52.

PEATLAND BOGS

Carbon reduction efforts need to be considered in parallel to carbon removal solutions. Sustained and committed carbon removal efforts are needed to reduce climate risk and achieve the Paris Agreement. Reduction efforts alone are insufficient.

Utmost has entered into a three-year partnership with Cumbria Wildlife Trust to help restore the peatland found on Burns Beck Moss Nature Reserve – a Site of Special Scientific Interest.

Peatland bogs are one of the most carbon rich ecosystems on Earth. Whilst only occupying 3% of global land area, they are responsible for storing around 30% of total soil carbon.[1] They are a naturally forming carbon store that capture more carbon than they release, and have the added benefits of reducing flood risk, preserving biodiversity and ensuring water quality.

Historically however their benefit to the environment has been overlooked and work needs to be done to reverse the damage inflicted by burning, cultivation and forestry activities.

Regeneration of these peatland bogs will have the benefit of increased carbon storage capacity in the UK and the long-term removal of atmospheric carbon dioxide. Our support of the Cumbria Wildlife Trust is done in conjunction with our broader emissions reduction efforts and reflects our commitment to minimise the impact of our operations on the environment. In supporting a UK and nature-based initiative, we are committed to the long-term regeneration of UK biodiversity and sustainable carbon removal initiatives.

1. https://www.npt.gov.uk/30247

STREAMLINED ENERGY AND CARBON REPORTING

The Group has measured its greenhouse gas ("GHG") emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following Greenhouse Gas Corporate Accounting and Reporting Standard and Value Chain (Scope 3) Standard and has used the 2023 conversion factors published by Department for Environment, Food and Rural Affairs ("Defra") and the Department for Business, Energy & Industrial Strategy ("BEIS"). The Group has dual-assessed both its location and market-based Scope 2 emissions from electricity usage, and reported its market-based emissions. The operational control approach has been used.

The table below summarises the GHG emissions for reporting year: 1 January 2023 to 31 December 2023 for global operations. 2022 figures are provided which act as the Group's baseline.

2023 saw a reduction in Scope 1 and 2 emissions. This was largely as a result of of the adoption of renewable energy in some of our offices as well as the merger of the Group's two Isle of Man offices. For the 2023 assessment period, 17% of our electricity was sourced from renewable energy. Scope 3 emissions have increased compared to 2022, largely as a result of an increase in business travel.

UTMOST GROUP MARKET-BASED EMISSIONS[1,2]

	2023		2022	
ACTIVITY	UK Operations Only	Global	UK Operations Only	Global
Total Energy Consumed (kWh)	**565,300**	**2,892,317**	774,852	3,862,278
Total CO_2e emissions (in tonnes)	**57.24**	**1,466.37**	192.28	1,394.04
Scope 1	**56.33**	**159.09**	90.83	233.54
Scope 2	**0.32**	**505.95**	100.02	666.62
Scope 3	**0.59**	**801.33**	1.43	493.88
Intensity Ratio: tCO_2e per employee	**0.27**	**0.98**	0.89	0.93
Intensity Ratio: tCO_2e per revenue	**0.1**	**2.57**	0.34	2.45

1. The location-based approach reflects the average emissions intensity from electricity coming from the national grid supply. A market-based approach reflects emissions from electricity that companies have purposefully chosen. This method utilises supplier-specific factors as a preference, with residual factors being used where supplier-specific factors are not available. The market-based approach reflects Utmost's decision to utilise renewable energy sources where possible
2. Please note that certain estimates and assumptions are used in the production of this data. This data is provided on a best efforts and indicative basis

PEOPLE DEVELOPMENT

KEY HIGHLIGHTS 2023:

- Ongoing commitment to employee wellbeing, with Group-wide focus weeks held on physical and mental wellbeing
- Established employee forums in our largest locations to champion emerging talent
- Maintain diversity across the organisation with 53%/47% female/male split

89%

OF COLLEAGUES STATE THAT THEY ENJOY THEIR WORK AT UTMOST

OUR VALUES

I Inspiring
M Motivated
P Personable
A Adaptable
C Collaborative
T Trustworthy

The Group prides itself on being an employer that celebrates difference and authenticity, and we are committed to fostering a culture in which all have an equal opportunity to succeed. The upskilling of our employees is a key part of this. We have run focused customer service training programmes, to ensure our colleagues are well-equipped to deal with wide-ranging queries in an efficient and sensitive manner.

A pipeline of local talent is essential to ensure that we remain an employer of choice in our core locations. We have partnered with University College Isle of Man, Isle of Man Department for Education, and a secondary school in Navan, Ireland to provide coaching and mentoring opportunities, as well as work placements to local students to help grow future talent in our key locations.

We have established employee forums in our two largest locations – the Isle of Man and Ireland. These forums give colleagues access to senior leaders and an opportunity to provide feedback on their experiences at Utmost. Our Isle of Man employee forum members are invited to present their ideas and thoughts at the local Executive Committee. The forums have provided junior colleagues with an opportunity to discuss ways to improve productivity and working life at Utmost. The success of these initiatives is evidenced in our employee engagement score with 91% of colleagues stating that they are encouraged to come forward with ideas and suggestions. In 2024, we will consider implementing employee forums into our other offices.

Wider feedback from our second annual Group-wide engagement survey indicated that we are achieving our goal of ensuring that our employees are fulfilled and committed. Positive feedback was received across a number of metrics and pleasingly 82% of colleagues stated that they could see themselves continuing to work at Utmost both now and into the future. This is a further indication that the activities undertaken across the Group to reinforce colleague engagement and wellbeing have had traction.

RESPONSIBLE INVESTMENTS

KEY HIGHLIGHTS 2023:

- Published our first Pathway to Net Zero, detailing our progress against our 2050 net zero target
- Completed our first UN PRI reporting, which helps to identify the opportunities for progress in our responsible investment approach

As a long-term allocator of capital, we understand the importance of a rounded and informed analysis of investments.

We consider all three pillars of ESG in our decision-making, alongside traditional frameworks to ensure a complete and full financial analysis.

This will enable us to make an orderly transition in our alignment of our shareholder investment portfolios with the aims of the Paris Agreement, the international treaty on climate change.

We have published our first Pathway to Net Zero, which sets out our progress against our 2050 net zero targets in our shareholder assets. This marks an important milestone in our net zero journey. We acknowledge however that there is more that can be done. Net zero and broader ambitions to limit the increase of global mean temperatures, requires significant momentum, notably from governments and high-emitting sectors. Where possible, we will engage to drive change.

Our Pathway to Net Zero is supported by our Responsible Investment Policy which sets out our approach to Responsible Investment across the investment life cycle. Incorporating guidance from the UN PRI, the Policy demands high sustainability standards of our investment managers and outlines expectations on the integration and ongoing management in our portfolios, with respect to responsible investment. In 2023, we have focused on embedding our responsible investment approach. We have begun engagement with our top ten largest asset managers by AUA, with the ambition to further reinforce our responsible investment approach with our third-party managers.

FURTHER DETAILS CAN BE FOUND IN OUR RESPONSIBLE INVESTMENT POLICY ON OUR WEBSITE

OUR PATHWAY TO NET ZERO

A commitment to net zero is one of the clearest ways that we can tackle climate change and reduce global warming. This report is our first formal disclosure against our target to be net zero in our shareholder assets by 2050, and sets out our commitment, approach and progress.

2020 BASELINE PORTFOLIO WEIGHTED AVERAGE CARBON INTENSITY

102tCO_2e

REDUCTION AT YE 2023 FROM OUR 2020 BASELINE

42%

THE COMMITMENT

A core part of Utmost's Sustainability Strategy is our commitment to transition our shareholder investment portfolio to net zero greenhouse gas emissions by 2050, across Scope 1 and 2 emissions. We have set an interim target to achieve a 50% reduction by 2030 against a 2020 baseline. These targets are aligned with a maximum temperature rise of 1.5 degrees Celsius above pre-industrial levels as outlined in the Paris Agreement.

At Utmost, our purpose is to make a positive difference, building a brighter future for our clients and better serving all stakeholders. All current and future development in our approach to responsible investment and the achievement of net zero will be subject to strong scrutiny and detailed analysis to ensure that we continue to achieve our purpose.

In line with industry guidance, we are committed to updating our Pathway at least every three years. Where there are material changes, we will update the Pathway accordingly.

> "A commitment to net zero is one of the clearest ways that we can tackle climate change and reduce global warming."

THE SCOPE OF OUR COMMITMENT

			PATHWAY TO NET ZERO
SHAREHOLDER OWNED	SHAREHOLDER ASSETS	– Assets that we control where they are invested – Investment decisions for these assets are controlled entirely by Utmost – Includes our annuity and other liability-backed holdings where the risk is borne by Utmost	IN SCOPE
SHAREHOLDER CONTROL	PARTICIPATION ASSETS	– Assets where the risks within an investment portfolio are shared between Utmost and the policyholder – The risks can be asymmetric in nature with the Group providing a contractual guarantee in exchange for a participation in investment returns	ASSESSING CAPTURE UNDER PATHWAY TO NET ZERO
	ULP WITH-PROFITS	– Externally managed with-profits book in our UK business – Investment decisions are led by the independent With-Profits Committee	
SHAREHOLDER INFLUENCE	GUIDED ARCHITECTURE	– Investment decision, within fund range, is with our client and their adviser – Fund ranges managed by external investment managers – Utmost selects individual funds. Little to no direct influence over the fund objective, management or investment decisions	OUT OF SCOPE
NON-SHAREHOLDER	POLICYHOLDER ASSETS	– Assets owned by our policyholders, where the control over investment decisions is with our clients and their adviser – We have no control over the direction of the investment	OUT OF SCOPE

SHAREHOLDER CONTROL ASSETS

Our shareholder control assets, comprising of our participation assets and ULP with-profits books, are currently out of scope for our net zero targets.

These are more challenging portfolios to decarbonise given the governance structures which are in place to reflect the shared interests of policyholder and Utmost.

We are however committed to ensuring that all assets where we play a role in the resultant investment decisions are included in our net zero pathway.

Our future focus will be working with our managers and, where relevant, trustees to embed our responsible investment approach in these portfolios. We will update our Pathway to Net Zero accordingly.

UTMOST SHAREHOLDER OWNED ASSETS

Utmost's shareholder owned investment portfolio predominantly comprises fixed income (corporate and sovereign holdings), cash and liquidity assets.

Sovereign holdings, liquidity funds and cash are included in our net zero commitments, however their emissions are not currently captured in our public reporting or our emissions baseline. This is given the nascence of the methodologies and comparability to other asset classes. We will continue to work with our data providers and peers to expand our public reporting in respect of these asset classes.

DETAILED INFORMATION ON OUR INVESTMENT APPROACH FOR OUR MAIN ASSET CLASSES IS ON PAGE 44

THE METRICS

Our net zero commitment is an intensity-based target, tracked using Weighted Average Carbon Intensity ("WACI").

CONSIDERATIONS

LIMITATIONS TO WACI

There are several limitations to using WACI as a methodology, namely the consideration of different sectors and sensitivity to inputs.

- **Sector Considerations:** Sectors such as energy and construction are naturally more carbon intensive than technology or finance. This sectoral difference is reflected in WACI outputs. We, however, cannot compare these industries on a like-for-like basis when considering their carbon intensity score. The sectoral nuance must be considered when reviewing the overall picture of our emissions landscape.
- **Sensitivity to Inputs:** The WACI calculation is influenced by a number of variables, including exchange rate and inflation. This is particularly influential when we consider inflation, which has risen significantly over the past few years. This has led to larger nominal revenues, increasing the denominator of the WACI calculation. It therefore temporarily lowers the carbon intensity without an absolute reduction in emissions. This has been more acute in sectors that have seen the greatest price increases.

We will continue to monitor improvements in methodologies and emerging best practice approaches, and adjust our approach as required.

DATA AVAILABILITY AND INTEGRITY

Climate data is a developing market, with varying levels of granularity and coverage across data providers and asset classes. This coupled with delays in receiving up to date data can have an impact on our reported carbon emissions.

As the market matures and more comprehensive data is available, we will periodically reassess our baseline to ensure that it accurately reflects our portfolio.

INCLUSION OF SCOPE 3

Our current analysis is based on the Scope 1 and 2 emissions of our investee companies. Whilst we acknowledge that the Scope 3 emissions of our investee companies are important, the lack of transparency and inconsistency around the reporting of Scope 3 emissions means that we have opted to exclude it from our calculations. This is to ensure sufficient accuracy and comparability between companies, and reduction of double counting. We will continue to review this as data quality and consistency improves.

THE APPROACH

When reviewing our existing and future investments, we use a number of quantitative and qualitative metrics to manage our investment portfolio in a responsible manner. We have a limited appetite for the financial, social and reputational risks associated with failing to manage our investment portfolio in a responsible manner.

We do not divest unconditionally from high emitters, recognising the importance of investing in the future enablers of a greener world. This means that our Pathway to Net Zero will not be linear, as support of "improver" holdings could lead to an initial spike in our carbon intensity until the committed short, medium and long-term targets of certain holdings are met. We remain dedicated to achieving our 2030 interim and 2050 targets.

We acknowledge that the achievement of our 2050 target is heavily dependent on the decarbonisation efforts of the broader economy and market participants. There remains a number of current and future uncertainties around the journey to net zero, with the achievement of decarbonisation targets contingent on assumptions around the success of technological developments, such as carbon capture.

CORPORATES

We invest in a broad range of corporate bonds, with varying maturities to match our shareholder asset obligations. We apply hard limits on our exposure, with limits on the size and duration of our holdings dependent on our climate risk exposure analysis.

When approaching our corporate bond holdings, we have divided these into carbon and non-carbon-related sectors as defined by the TCFD. We have adapted our approach accordingly, with new carbon-related issuers subject to additional scrutiny and enhanced monitoring.

While the majority of our assets are in non-carbon-related sectors, we are alert to our exposure to the high transition risk sectors. As identified above, we are committed to supporting the future enablers of a greener future. We believe that the energy and utilities sector plays a key role. We will continue to support those constituents who demonstrate clear net zero pathways and a commitment to decarbonisation.

SUPRANATIONALS

Our approach to Supranationals is broadly in line with the approach detailed above for corporates.

Given the low-risk nature of issuers, we pay particular consideration to the direction of the proceeds of the issuance and ensure that it is in line with both our risk appetite and sustainability-related goals.

SOVEREIGNS

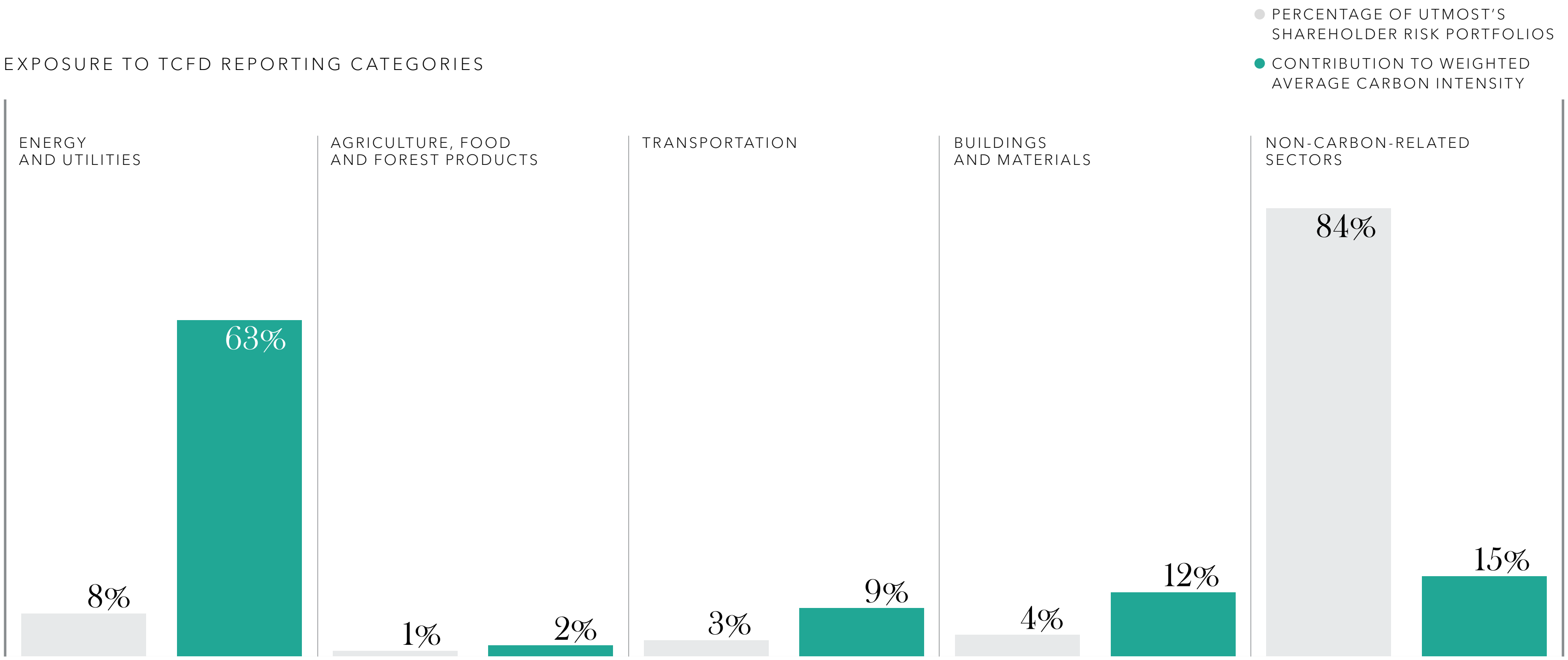
The achievement of our net zero target has strong reliance on the actions of the sovereigns in which we have invested. All of our material sovereign bond investments have been made into countries which have net zero ambitions aligned with our own.

Our largest sovereign bond holdings at YE 2023 are in UK gilts, which account for 58% of our sovereign bond investments. We are monitoring the policy decisions made in relation to the UK's net zero ambitions and how these will progress, but are confident that the UK remains on track to reach its net zero target.

CASH AND LIQUIDITY FUNDS

Our approach to cash and liquidity funds is in its infancy and we are in the process of developing firmer plans as to our approach. As this approach becomes more defined, we will share details.

EXPOSURE TO TCFD REPORTING CATEGORIES



THE PROGRESS

Against our 2020 baseline, we have achieved a 42% decrease in WACI in our analysed portfolios. We are well positioned relative to our targets. This has been achieved through the maturation of carbon intensive holdings, efforts by our investee companies to decarbonise and our prioritisation of issuers who have adequate and strong environmental policies.

EXCLUSIONS

As a Group, we do not believe in blanket sectoral exclusions. We instead invest time to understand and evaluate a company's approach to net zero, efforts to decarbonise and adaptability to a low carbon world. Our investment team apply a critical lens to assess a company's constituent parts and net zero efforts to reach an informed investment decision.

In 2023, however, we adopted a thermal coal exclusion. The burning of thermal coal for energy is the single largest contributor to human-made global temperature increases. The ongoing practice is a severe obstacle to the achievement of net zero, and an ongoing reliance on thermal coal production will prevent the decarbonisation of a number of other sectors, including transport. We have therefore chosen to no longer select issuers in our Shareholder and Participation Assets that generate more than 5% of their revenue from the extraction or generation of energy from thermal coal.

Where existing issuers in our portfolio have material thermal coal exposure, we expect them to have clear plans to have minimal coal exposure by 2030.

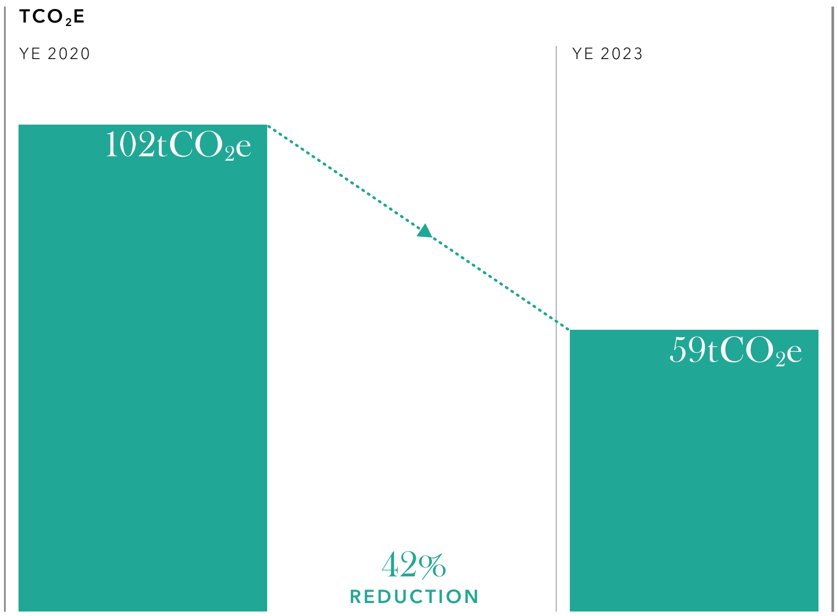
ENGAGEMENT

We use engagement to influence positive change and support the transition to net zero. Given the majority of our portfolio is in fixed income holdings, we have limited ability to influence a company's activity by proposing or voting on shareholder resolutions.

For assets where we do have influence, we engage with our external investment managers to ensure that our responsible investment expectations are reflected in voting and engagement decisions.

In 2023 we updated our due diligence questionnaires to further formalise our responsible investment expectations with respect to external managers. We combined this with targeted engagement with our ten most significant external investment management relationships by AUA. This will have the benefit of reinforcing our responsible investment approach and contributing to the collective momentum towards net zero ambitions.

REDUCTION IN WACI FROM YE 2020 BASELINE



Our 2020 and 2023 calculations include both 'shareholder owned' and 'shareholder controlled' assets. As referenced above, the 'shareholder controlled' assets (participation and ULP with-profits) are currently out of scope of our Pathway.

Their inclusion in the calculation, however, reflects our commitment to their planned incorporation within our Pathway to Net Zero commitments.

STRATEGIC REPORT

OUR CLIMATE-RELATED FINANCIAL DISCLOSURES

Our climate-related financial disclosures have been drafted in accordance with the recommendations of the TCFD. The disclosure provides an overview of how climate-related considerations are examined and embedded across Utmost Group.

1. GOVERNANCE

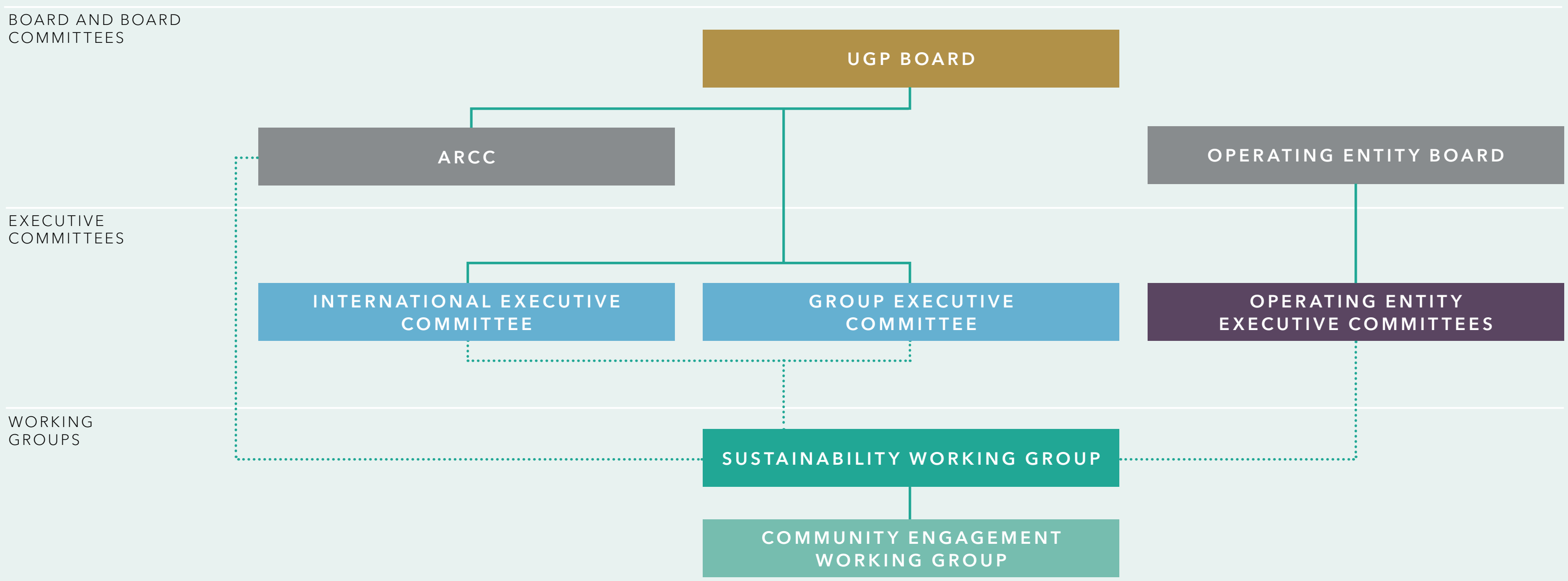
At the centre of our organisational governance is our purpose to make a positive difference, building a brighter future for our clients and better serving all stakeholders. This informs our strategy and underpins our decision-making process, ensuring that we deliver for our clients. Our governance framework clearly defines the roles and responsibilities for effective oversight and management of climate-related risks and opportunities at the Board and senior management levels.

Board Oversight of Climate-Related Risks and Opportunities

The Board oversees the delivery of the Group's Sustainability Strategy, a key element of which is our approach and management of climate-related risks and opportunities. Paul Thompson, Group CEO, is the Executive Board Director with overall responsibility for the Sustainability Strategy.

Senior management keep the Board and the Group Audit, Risk and Compliance Committee ("ARCC") apprised of any changes in climate-related risks and opportunities as these impact the Group, including quarterly reporting through the Group Risk Report and Climate Disclosure Dashboard. Annual stress and scenario testing is carried out across the Group, which provides quantitative and qualitative information on the Group's exposures to climate-related risks. Further details on the stress and scenario testing can be found on page 52.

GOVERNANCE FRAMEWORK



SUSTAINABILITY GOVERNANCE STRUCTURE

UTMOST GROUP PLC BOARD ("THE BOARD")
Meets at least quarterly

RESPONSIBILITIES INCLUDE:
- Setting the strategic goals and risk appetite for the Group
- Reviewing the operating and financial performance of the Group
- Reviewing and approves the annual business plan, including any investment projects and acquisition and divestment strategies
- Overseeing the execution of the strategy of each operating business
- Delivery of the Group's Sustainability Strategy, which incorporates the Group's approach to climate-related risks and opportunities

MEMBERS:
Details on members can be found on pages 70 and 71

AUDIT, RISK, AND COMPLIANCE COMMITTEE
Meets at least quarterly

RESPONSIBILITIES INCLUDE:
- Oversees financial reporting, internal financial controls and risk management systems and processes on behalf of the Board
- Setting the Group's risk appetite statement for exposure to climate-related risks

MEMBERS:
Details on members can be found on page 72

SIMILAR RESPONSIBILITIES BUT WITH A FOCUS ON THE TWO DISTINCT BUSINESSES OF UTMOST

INTERNATIONAL EXECUTIVE COMMITTEE
Meets monthly

RESPONSIBILITIES INCLUDE:
- Managing and overseeing the day-to-day business and affairs of Utmost International
- Overseeing client relationships and customer experience
- Consideration of sustainability and climate-related factors as it pertains to the above

MEMBERS:
Group CEO, Group CFO, senior functional leads, and the International business CEOs

GROUP EXECUTIVE COMMITTEE
Meets six times a year

RESPONSIBILITIES INCLUDE:
- Managing and overseeing the day-to-day business and affairs of the Group
- Overseeing client relationships and customer experience
- Consideration of sustainability and climate-related factors as it pertains to the above

MEMBERS:
Group CEO, Group CFO, senior functional leads, and the UK business CEO

OPERATING ENTITY EXECUTIVE COMMITTEES AND SUBSIDIARY BOARDS

The members of the International Executive Committee, Group Executive Committee, and Sustainability Working Group are charged with reporting on a regular basis to their subsidiary board and Executive Committee. They are responsible for ensuring that sustainability and the consideration of climate-related issues are embedded into their business.

SUSTAINABILITY WORKING GROUP ("SWG")
Meets six times a year

RESPONSIBILITIES INCLUDE:
- Monitoring climate-related issues across the Group and ensuring these are appropriately addressed
- Proposing climate-related commitments to the Board
- Monitoring progress against those commitments and corresponding management information
- Ensuring the Group fulfils its regulatory obligations as applied to climate-related issues and the production of climate-related policies
- Frameworks to ensure focus on climate-related issues are embedded across the Group

MEMBERS:
Chaired by Head of Strategy and Corporate Affairs, with functional representation from across Utmost
Paul Thompson, Group CEO, is Executive Sponsor

The Governance section on pages 68 to 76 gives further details on the frequency of the UGP Board and ARCC meetings

Management Oversight of Climate-Related Risks and Opportunities

The Head of Strategy and Corporate Affairs chairs the Sustainability Working Group, which has overall responsibility for implementing the Sustainability Strategy and its underlying environmental commitments. The Head of Strategy and Corporate Affairs reports on progress to the Group CEO, Executive Sponsor of the working group, and the Group and International Executive Committees respectively.

Each operating business has a representative on the SWG. Their role, as a part of the SWG, is to ensure sustainability and the consideration of climate-related issues are embedded into their business in line with the Group's overarching Sustainability Strategy. In order to achieve this, they work with the local functional heads and are charged with reporting on a regular basis to their subsidiary boards and Executive Committees.

Each Group Executive Committee and International Executive Committee member is responsible for ensuring that consideration of climate-related issues is embedded appropriately within their function. The operating entity CEOs, as a part of their role as Executive Committee members, must ensure that their business is addressing climate-related issues, as appropriate for their size, risk exposure and local regulatory regime.

The Group Head of Risk and Compliance, who sits on both the Group and International Executive Committees, has overall responsibility for the identification, assessment, management and reporting of climate-related risks and opportunities that could impact Utmost. Identified risks and opportunities are reported to the ARCC.

2. STRATEGY

Sustainability is a key aspect of our strategy and business model, guiding how we operate. As a business we have assessed the climate-related risks and opportunities that could materially impact the Group over the short, medium and long term.

Details on our Sustainability Strategy and progress towards our goals can be found on pages 37 to 40.

The decarbonisation of the global economy as it transitions towards net zero poses a number of risks and opportunities to our Group. These risk and opportunity considerations are monitored and reported on by senior management to the Board and ARCC.

In accordance with the TCFD guidelines, Utmost Group is exposed to both transition risks and physical risks.

- **Transition Risks:** Related to the transition to a lower-carbon economy. This could entail extensive policy, legal, technology, market, and reputation changes to ensure sufficient adaptation and mitigation attempts
- **Physical Risks:** Related to the physical impacts of climate change. The risks can either be acute (event-driven risks) or chronic (longer-term shifts in climate patterns)

Alongside the risks that emerge due to decarbonisation efforts, climate change mitigation and adaptation could also result in opportunities for Utmost. In reviewing TCFD recommendations, the most pertinent for Utmost are:

- **Resource Efficiency:** Reducing operating costs through efficiency gains
- **Energy Source:** Moving energy generation to lower emission alternatives
- **Resilience:** Development of adaptive capacity to better to respond to the physical and transition risks

These risks and opportunities and the potential impacts are summarised in the table overleaf. We have considered them over the following time horizons:

- Short term: 0 to 5 years
- Medium term 5 to 10 years
- Long term: 10+ years

It should be noted that the table is non-exhaustive and there remains uncertainty of if or when these risks will crystallise. We continue to review and assess our risk exposure and make adjustments where necessary to ensure that we have the appropriate safeguards in place.

CLIMATE-RELATED RISKS

TRANSACTION RISKS	RISKS	POTENTIAL FINANCIAL IMPACTS	TIMEFRAME
POLICY AND LEGAL	– Enhanced emissions-reporting obligations – Exposure to litigation – Regulation of existing products and services	– Increased operating costs through higher compliance and governance costs – Increased costs and/or reduced demand for products and services	Short/Medium
TECHNOLOGY	– Costs of transition as existing technology estate is substituted with lower emission options – Unsuccessful investments in new technology	– Early retirement of existing technology estate – Potential poor performance of investments in new technology – Costs to adopt/deploy new practices and processes	Medium
MARKET	– Changing customer behaviour – Uncertainty in market signals	– Reduced demand in products due to shift in customer preferences or amount of investable wealth – Abrupt and unexpected shifts in energy costs increasing operating costs – Repricing of assets impacting profits (e.g., fossil fuel reserves, land valuations, securities valuations)	Medium
REPUTATION	– Increased stakeholder concern or negative stakeholder feedback – Brand perception	– Reduced revenue from decreased demand for products – Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) – Reduction in capital availability	Short/Medium

PHYSICAL RISKS	RISKS	POTENTIAL FINANCIAL IMPACTS	TIMEFRAME
ACUTE	– Increased severity of extreme weather events	– Reduced revenue and high costs from negative impacts on workforce (e.g., health, safety, absenteeism) – Reduced revenue due to investment return impact	Short
CHRONIC	– Extreme variability in weather patterns – Rising mean temperatures – Rising sea levels	– Demographic assumption changes impacting profitability – Negative effect on asset prices impacting profitability – Operational disruption increases expenses	Long

CLIMATE-RELATED OPPORTUNITIES

	OPPORTUNITIES	POTENTIAL FINANCIAL IMPACTS
RESOURCE EFFICIENCY	– Use of more efficient technology – Use of recycling – Move to more efficient buildings	– Reduced operating costs (e.g., through efficiency gains and cost reductions) – Benefits to workforce management and planning (e.g., improved health and safety, employee satisfaction) resulting in lower costs
ENERGY SOURCE	– Use of lower-emission sources of energy – Use of new technologies	– Reduced exposure to future fossil fuel price increases – Returns on investment in low emission technology – Increased capital availability (e.g., as more investors favour lower-emissions producers) – Reputational benefits resulting in increased demand for goods/services
RESILIENCE	– Adoption of energy efficiency measures	– Increased market valuation through resilience planning (e.g., infrastructure, land, buildings) – Increased reliability of supply chain and ability to operate under various conditions

Read more about the actions we have taken to build resiliency in our Sustainability Strategy report on pages 37 to 40 and the Risk section of our Annual Report on pages 56 to 64.

As identified in the Governance section of the TCFD, each functional area is tasked with considering climate-related issues as a part of their business management processes. The identified risks are distributed to the Group Head of Risk and Compliance who aggregates the entity level risks to assess the overall Group exposure.

When considering our business, strategy and financial planning, climate-related issues are a supporting factor in the decision-making process.

BUSINESS PLANNING AND CLIMATE-RELATED CONSIDERATIONS

	CONSIDERATION
PRODUCTS AND SERVICES	– Proposition team includes an assessment of climate-related risks and opportunities as part of their development process
SUPPLY CHAIN	– A focus for 2024 is to develop a Group-wide Supplier Standard to ensure a consistent approach for considering climate-related issues with respect to our third-party supplier management
ACQUISITIONS/ DIVESTMENTS	– Climate-related issues are considered as a part of acquisition due diligence across investment portfolios and business lines
ACCESS TO CAPITAL	– The Group considers the sustainability expectations of equity and debt investors – Any perception that the Group is not addressing climate-related issues may impair the Group's access to capital, credit rating and cost of borrowing – The Group aims to communicate clearly and transparently with stakeholders so our approach to climate-related issues is understood – The Group continually monitors climate-related issues including regulatory requirements and policyholder preferences – The Group develops its strategy in response to industry shifts in order to remain an attractive investment opportunity

The Group has assessed that it is not materially exposed to climate-related issues, given the predominance of unit-linked products and limited exposure to insurance/investment risks. The Group believes its revenue streams and expenses are fairly resilient to the impact of climate-related risks. Its assets and liabilities are well matched, supporting a robust financial position. The Group's shareholder investment portfolio is invested in high-quality government and corporate bonds.

The Group has carried out climate-related scenarios to assess its risk exposure. It is considered that the Group is currently well positioned to withstand the risks presented by climate-related issues. This is reviewed on a regular basis. These scenarios are described in detail in the Risk Management section of the TCFD.

3. RISK MANAGEMENT

The Group considers climate-related risks to be a cross-cutting rather than a standalone risk type, given the Group's business and expected exposure.

The Group's Climate Risk Framework sets out the overall approach adopted by the Group to identify, assess, manage, monitor and report risks associated with climate change and ensures that climate-related factors are considered when assessing the overall risks to the organisation.

This approach is in line with our existing Enterprise Risk Management ("ERM") Framework and we consider this approach to be appropriate given the expected materiality of climate-related risks on the Group. Our ERM Framework embeds a strong and effective risk management across the operating businesses, and details how we identify and manage the material risks, including operational climate-related risks to which we are exposed. It is used to make informed business decisions by ensuring that risks are understood and managed effectively, whilst ensuring good stakeholder and client outcomes. Further details on our ERM Framework can be found on pages 56 and 57.

To provide a clear categorisation of the risks associated with climate change, the Group uses the climate-related risk taxonomy developed initially by the Financial Stability Board and adopted by many regulators to provide a clear categorisation of the risks associated with climate change.

The Group performs stress and scenario testing to help assess the potential impact of a range of plausible climate change pathways on the Group's strategic objectives. The process helps to identify areas where additional controls or mitigants could be put in place. This is embedded through the Group and entity ORSA processes and includes qualitative and quantitative assessment of climate-related risks on the Group's operational capabilities as well as its financial resources. In line with the Group ERM Framework, the Group expects each operating business to put in place and maintain controls and other risk mitigants to manage the risks associated with climate change.

The Group's assessment is that there is currently limited exposure to climate risk given the resilience of our operations, our predominance of unit-linked policies and limited insurance and/or investment risk.

All staff are expected to consider and identify potential climate risks as part of their business as usual activities and decision-making processes. Business entities must identify any significant environmental impacts produced by their operations and put processes in place to prevent, reduce and mitigate them.

Senior management and Board roles and responsibilities for climate-related risk management can be found on pages 46 to 48.

Stress and Scenario Testing

We have assessed the potential financial impacts of climate change on the Group based on the late action scenario included in the Bank of England's 2021 Climate Biennial Exploratory Scenario ("CBES").

Under this scenario, the transition to a net zero emissions economy is assumed to be delayed until 2031, at which point there is a sudden increase in the intensity of climate policy. In the UK, greenhouse gas emissions are successfully reduced to net zero around 2050, but the transition required to achieve that is more abrupt and therefore disorderly.

The Group has translated this into a market scenario which is applied annually under which equity markets are assumed to fall by 15% while inflation and spreads increase significantly (by 200 Basis Points ("bps") and 175bps respectively). Interest rates are assumed to rise by 150bps in response to inflationary pressures.

While the scenario is expected to result in an initial large drop in SII EV, consistent with the impact on the Own Funds, this is projected to recover over time. The impact on the Group's financial position is currently considered manageable, both in terms of Solvency Coverage Ratio and dividend paying capacity. There is a risk that policyholder exposures to climate risks eventually feeds back into the Group through increased lapse rates.

4. METRICS AND TARGETS

The Group has set out metrics in its Risk Appetite statement pertinent to climate-related issues. The operating business and Group risk metrics are monitored on an ongoing basis. The metrics are regularly reported to the appropriate Board risk committees as part of ongoing risk reporting.

Utmost Group produces an internal Climate Disclosure Dashboard ("Dashboard"). The purpose of the Dashboard is to provide climate-related data to the Board to track the Group's climate-related exposures within the shareholder investment portfolio.

The Dashboard contains metrics on Transition Risk (Exposure to Carbon-Related Assets), Physical Risks (Physical Risk Heatmap Scores) and Portfolio Decarbonisation (Carbon Intensity).

The Group uses data sourced from S&P Trucost and Sustainalytics to track the climate-related exposures of its investments.

The Group is committed to transitioning its shareholder investment portfolio to net zero greenhouse gas emissions by 2050, with an interim target to halve emissions by 50% by 2030. Our Pathway to Net Zero can be found on pages 41 to 45. This provides details on our approach, progress against our baseline and our exposure to carbon-related assets (as per the transition risk metric detailed below).

The Group's Remuneration Policy embeds consideration of sustainability into the Group's approach to remuneration. It is intended the Policy provides an important incentive to help achieve our goals and objectives. Individual objectives are set consistently with the Group's objectives, including the commitments made as a part of the Sustainability Strategy and management of climate-related issues.

Certain identified roles will have specific objectives linked to the individual's contribution towards the successful implementation of the Group's Sustainability Strategy including climate-related issues.

The Group reports its operational carbon emissions in its SECR. The measurement incorporates Scope 1, Scope 2 and select Scope 3 emissions. The Group's SECR can be found on page 39.

STRATEGIC EXTERNAL RISK METRICS	METRIC	FREQUENCY	REPORTING LEVEL	GREEN	AMBER	RED
Climate Change Transition Risk: Exposure to Carbon-Related Assets	Percentage of Carbon-Related Assets in the Shareholder Investment Portfolio	Quarterly	Group	≤20%	>20% to ≤30%	>30%
Climate Change Physical Risk: Physical Risk Exposure of Shareholder Assets	Sensitivity Weight Adjusted Composite of Shareholder Investment Portfolio	Quarterly	Group	≤40	>40 to ≤50	>50
Shareholder Assets Carbon Emissions Intensity Ratio	Total carbon emissions in our Shareholder Assets across the Group[1]	Quarterly	Group	≤75%	>75% to ≤100%	>100%
ESG and Stewardship: Shareholder Funds Sustainalytics ESG Risk Rating Score	Sustainalytics ESG Risk Rating	Quarterly	Operating Business	≤20	>20 to ≤30	>30
ESG and Stewardship: Guided Architecture Group Average Sustainalytics ESG Risk Rating Score	Sustainalytics ESG Risk Rating	Quarterly	Operating Business	≤30	>30 to ≤40	>40

1. Against an industry corporate bond index

STAKEHOLDER ENGAGEMENT

Aligned with our purpose, we are committed to creating value and delivering positive outcomes to better serve all stakeholders. Our key stakeholders are identified as our: clients, investors, employees, suppliers, regulators, and community and environment.

We work hard to ensure that these groups are considered in strategy and decision-making processes at the Board and Executive Committees.

SECTION 172(1) STATEMENT

We report here on how our directors have performed their duty under section 172(1) of the Companies Act 2006 ("s.172"). The Board has direct engagement principally with our employees, shareholders, debt investors and regulators, and is also kept fully apprised of the material issues of other stakeholders through reports from the executive directors, senior management and external advisers.

Through this stakeholder engagement, the Board can understand the impact of its decisions on key stakeholders and ensure it keeps abreast of developments that need to be factored into strategy discussions and decision-making.

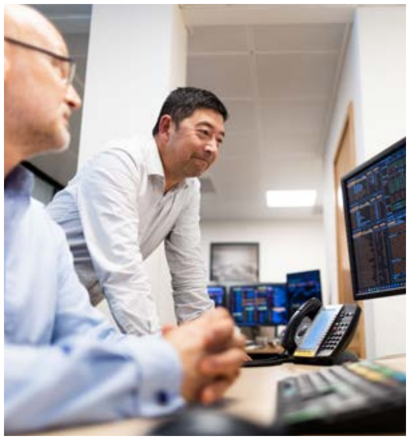
The directors consider, both individually and collectively, that they have acted in the way they consider in good faith, would be most likely to promote the long-term success of the Company for the benefit of its members as a whole, whilst having regard to the matters set out in s.172(1)(a) to (f) of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

- **A** the likely consequences of any decision in the long term
- **B** the interests of the Company's employees
- **C** the need to foster the Company's business relationships with suppliers, customers and others
- **D** the impact of the Company's operations on the community and the environment
- **E** the desirability of the Company in maintaining a reputation for high standards of business conduct
- **F** the need to act fairly as between members of the Company

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

RELATIONSHIP WITH STAKEHOLDERS

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



CLIENTS

WHY ARE THEY IMPORTANT?

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

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

WHAT IS IMPORTANT TO OUR CLIENTS?

Outstanding service, use of a reputable provider, financial stability, strength of proposition, technical expertise, and value for money.

HOW WE ENGAGE

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

INVESTORS

WHY ARE THEY IMPORTANT?

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

- Equity Investors: Funds managed by Oaktree and shares held by Paul Thompson and Ian Maidens, the Founders of the business ("Founders")
- Debt Investors

WHAT IS IMPORTANT TO OUR INVESTORS?

Financial stability, economic value, consistency of returns and robust risk management processes to protect their assets.

HOW WE ENGAGE

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

Should debt investors request direct engagement, Board members will consider the request, and attend meetings if appropriate and in compliance with the relevant legislation.

EMPLOYEES

WHY ARE THEY IMPORTANT?

Our employees deliver outstanding service to clients and ensure that the business operates effectively.

WHAT IS IMPORTANT TO OUR EMPLOYEES?

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

HOW WE ENGAGE

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

WHAT ISSUES HAVE BEEN RAISED DURING THE YEAR AND HOW HAVE WE RESPONDED?

Following on from the positive response to the Group-wide Employee Engagement Survey undertaken in Q3 2022, another Group-wide employee survey was undertaken in Q3 2023. The purpose of this was to build on the feedback from the prior year, whilst also continuing the active dialogue between employees and management. Employee engagement was good with an 82% completion rate (2022: 81%) and an overall positive score of 83% (2022: 81%). The main feedback was for increased Group-led employee communications to ensure business and strategic developments are effectively cascaded throughout Utmost. This is being developed with the company intranet due to be revised during 2024 as part of this process.

REGULATORS

WHY ARE THEY IMPORTANT?

The Group is supervised by the PRA and the insurance entities are regulated by the FCA, PRA, Isle of Man Financial Services Authority ("IoM FSA"), CBI, GFSC and other local regulators in branch locations. Maintaining good relationships with our regulators is essential to the success of the business.

WHAT IS IMPORTANT TO THE REGULATORS?

Excellent client outcomes, robust risk management systems and internal controls, financial stability.

HOW WE ENGAGE

The Group and its subsidiaries proactively participate in periodic meetings and interactions with its regulators as appropriate to fully understand regulatory views and feedback. This includes participation in thematic reviews conducted by the local regulators supervising each area of the business. The PRA conducts periodic reviews, the outcome of which are periodic summary meetings. The Board reviews the feedback as appropriate, and no material issues have been raised during the year.

The businesses operate a horizon scanning process to ensure that upcoming regulatory change, consultations, guidance and 'hot topics' are known and understood, enabling any resulting internal actions to be taken.

COMMUNITY AND ENVIRONMENT

WHY ARE THEY IMPORTANT?

Utmost Group is passionate about having a positive impact not only on the lives of our employees, but also on the communities in which we operate. Our focus on community extends to our environment. In order to secure the financial futures of both present and future generations, the Group must ensure its values and culture align with protecting our environment.

WHAT IS IMPORTANT TO THEM?

Support of local initiatives including charitable and sporting activity. Reduction in the Group's environmental impact and taking action to work towards mitigating the effect of climate change.

HOW WE ENGAGE

Initiatives are undertaken in each business to ensure localised support. These include fundraising events for local employee-selected charities, donation matching schemes and the availability of volunteering leave to help local organisations. The Group continues to be committed to reducing its environmental impact and continues to seek ways to work more efficiently to achieve this.

FURTHER INFORMATION IS SET OUT IN THE SUSTAINABILITY REPORT ON PAGE 36 TO 52

SUPPLIERS

WHY ARE THEY IMPORTANT?

Utmost depends on our suppliers to help us deliver our proposition to our policyholders and help ensure the delivery of good outcomes. We want to match their innovative capabilities with our policyholders' requirements.

WHAT IS IMPORTANT TO OUR SUPPLIERS?

Utmost Group cares about what we do, but also how we do it. The Group aims to be a good partner to our suppliers, and expects their behaviour to reflect the standards we hold for ourselves.

HOW WE ENGAGE

The Group works with suppliers across its value chain including distribution partners, asset managers and technology providers. The Group's values emphasise collaboration and trust and the Group aims to reflect these in all its business dealings. The Group expects its suppliers to reflect our values in the manner in which we partner together and the manner in which our policyholders are serviced.

RISK MANAGEMENT

The Utmost Group Enterprise Risk Management Framework embeds strong and effective risk management across the business ensuring that our customers interests are central to our operations. The Framework is used to make informed business decisions by ensuring that risks are understood and managed effectively bringing positive outcomes for our customers and shareholders.

ERM FRAMEWORK

The Group ERM Framework is dynamic, evolving to reflect changes in the business, risk environment and emerging best practice. As the Group has grown and matured, so has the ERM framework to meet the needs of the business. The Group operates a central, Group-wide ERM Framework including policies, risk appetites, governance and reporting, underpinned by a strong risk and compliance culture. This is embedded in local operating businesses and complemented by local risk management frameworks, policies and procedures which are overseen by the respective subsidiary boards and committees. In 2023, the Group successfully implemented a new Risk Management System to record, manage and report on issues, risks and events. The implementation also included an Internal Audit and Compliance module which is being used across the business. The risk universe or 'Taxonomy' has been used across these modules to provide better aggregation and analysis of risks across the Group.

The ERM Framework assists the Group in achieving its strategic objectives by supporting the operating businesses with improved client and shareholder outcomes. This is achieved through the identification and management of an acceptable level of risk ("risk appetite") and by ensuring that Utmost Group is appropriately rewarded for the risks it takes. To ensure that all risks are managed effectively, Utmost Group is committed to:

- embedding a risk aware culture
- maintaining a strong system of internal controls
- enhancing and protecting client and shareholder value by continuous and proactive risk management
- maintaining an efficient capital structure
- ensuring that risk management is embedded into day-to-day management and decision-making processes.

RISK CULTURE

The Utmost Group promotes a positive and open risk management culture where colleagues are encouraged to speak up. The risk culture is embedded through the following:

- the Group Head of Risk and Compliance and local Chief Risk Officers ("CRO") of all operating businesses are members of senior management and in the execution of their roles, integrate risk management thinking into the decision-making process
- the Group and operating business strategic planning process and Own Risk and Solvency Assessment ("ORSA") process must be aligned to include a risk-based forward-looking view in the development of the strategic plan
- the Risk function in each operating business is involved in material initiatives which may impact on the risk profile of that operating business or the Utmost Group as a whole. The role of each Risk function is to integrate the risk management assessment methodologies into the decision-making process by supporting the business in identifying, assessing and managing the risks associated with these initiatives
- each Risk function works closely with the business units within its own operating business, providing both effective challenge and advisory services.

RISK UNIVERSE

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

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

RISK APPETITE

Risk appetite is the level of risk that Utmost Group is willing to accept in pursuit of its strategic objectives. Risk preferences are outlined and documented within the risk appetite statement. The subsidiary boards tailor their own risk appetite statements within the boundaries of the risk appetite set by the Board. The operating subsidiaries develop metrics to translate the risk appetite into quantitative and measurable risk limits and indicators. These are embedded into the operating processes to ensure proper monitoring and steering of business activities.

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

Work has been carried out to develop the risk appetite metrics further, to increase coverage and provide, where possible, more early warning indicators. In addition, a number of risk appetite thresholds have been tightened, reflecting the maturing control environment and closer management of risk across the Group.

THE GROUP'S ENTERPRISE RISK MANAGEMENT FRAMEWORK

BUSINESS STRATEGY

PROVIDING GOOD CLIENT OUTCOMES | DELIVERING GROWTH | OPERATING EFFICIENTLY | CREATING AN ENDURING BUSINESS

GOVERNANCE

BOARDS AND COMMITTEES

RISK UNIVERSE

FINANCIAL AND INSURANCE, OPERATIONAL AND COMPLIANCE, BUSINESS AND STRATEGY AND EXTERNAL ENVIRONMENT

RISK APPETITE

POLICY FRAMEWORK

IDENTIFY

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

ASSESS

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

MANAGE

- Risk Register
- Risk Incident Process
- Risk and Control Self-Assessment Process
- Enterprise Risk Profile
- Risk Mitigation
- Emerging Risks
- Capital Management

MONITOR

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

REPORT

- Board and Committee Risk Reports
- Valuation Reports
- ORSA Reports
- Solvency and Financial Condition Reports
- Compliance Reports
- Audit Reports

RISK CULTURE

OWN RISK SOLVENCY ASSESSMENT

THE GROUP RISK UNIVERSE MAP

GROUP RISK UNIVERSE MAP

EXTERNAL ENVIRONMENT

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

FINANCIAL AND INSURANCE

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

BUSINESS AND STRATEGY

- DISTRIBUTION
- ACQUISITION
- BRAND

OPERATIONAL AND COMPLIANCE

- FINANCIAL CRIME
- CLIENTS, PRODUCTS AND BUSINESS PRACTICES
- BUSINESS AND SYSTEMS DISRUPTION
- GOVERNANCE
- EMPLOYMENT PRACTICES
- DAMAGE TO PHYSICAL ASSETS
- EXECUTION DELIVERY AND PROCESS MANAGEMENT

RISK GOVERNANCE
The Utmost Group Board has ultimate responsibility for risk management, overseeing the effectiveness of the ERM Framework and is supported by the Utmost Group's Audit, Risk and Compliance Committee. The Group Board is responsible for:

- establishing its strategy towards risk taking
- overseeing the communication and monitoring of adherence to the approved appetite for risks
- overseeing the overall system of internal control in the operating businesses

The Group Head of Risk and Compliance is responsible for developing and maintaining the overarching Group Risk Management Framework. Each local entity, supported by a local CRO, is responsible for complementing the framework with appropriate local policies and procedures as required. In addition, Utmost Group has established a series of board committees in each of its businesses with specific delegated authorities ensuring that risk management is owned and embedded at the local level. Further detail on the governance structure and activities of the Committees is set out in the Governance Report from page 72 onwards.

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

EMERGING RISKS
The Group remains vigilant to new and emerging risks which could crystallise across different time horizons and have an impact on our strategy and business operations. Both current and emerging risks are regularly discussed at Executive and Board level Committees and appropriate mitigation strategies put in place.

RISK MANAGEMENT PROCESSES
The Group evaluates its principal and emerging risks and decides how best to manage them to keep within the approved risk appetite. The operating businesses regularly review their risks and produce reports for their subsidiary board committees to provide assurance that material risks are being appropriately mitigated.

Appropriate controls are established and maintained to mitigate risks to within risk appetite. This includes holding capital against risks that are quantifiable and where capital is considered an appropriate mitigant. Stress and scenario tests are used extensively in each business to support the assessment of risk and provide analysis of their financial and/or operational impact. Independent reviews conducted by the operating business risk functions provide further assurance to management and the subsidiary boards that individual risk exposures and changes to our risk profile are being effectively managed.

Staff receive regular training on key regulatory and risk matters and further work is underway to provide a standard approach to Group-wide training in 2024.

OWN RISK AND SOLVENCY ASSESSMENT
The Group ORSA is a key process for providing the Board and other key stakeholders with a comprehensive understanding of the Group's risk profile and expected capital needs over its business planning period. The analysis, findings and recommendations from the Group ORSA are a key part of the Board's strategic decision-making process as are the way in which these decisions are implemented by relevant members of the senior management team.

The Group's strategic objectives, business plan and target risk profile are key inputs into the scope and focus of the Group ORSA. The Group ORSA includes an annual cycle of stress and scenario testing. This is designed to provide insight into the sensitivity of the business plan to key assumptions and allow analysis of the plan under potential adverse scenarios together with the management actions available to the Group to achieve its strategic objectives. The Board, together with senior management, play a significant role in determining the set of scenarios which will be included in the Group ORSA, the assumptions for each of these scenarios and the criteria against which the results will be assessed.

THREE LINES OF DEFENCE

1

FIRST LINE OF DEFENCE

OWN AND MANAGE THE RISKS

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

2

SECOND LINE OF DEFENCE

OVERSEE AND PROVIDE SPECIALIST SUPPORT

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

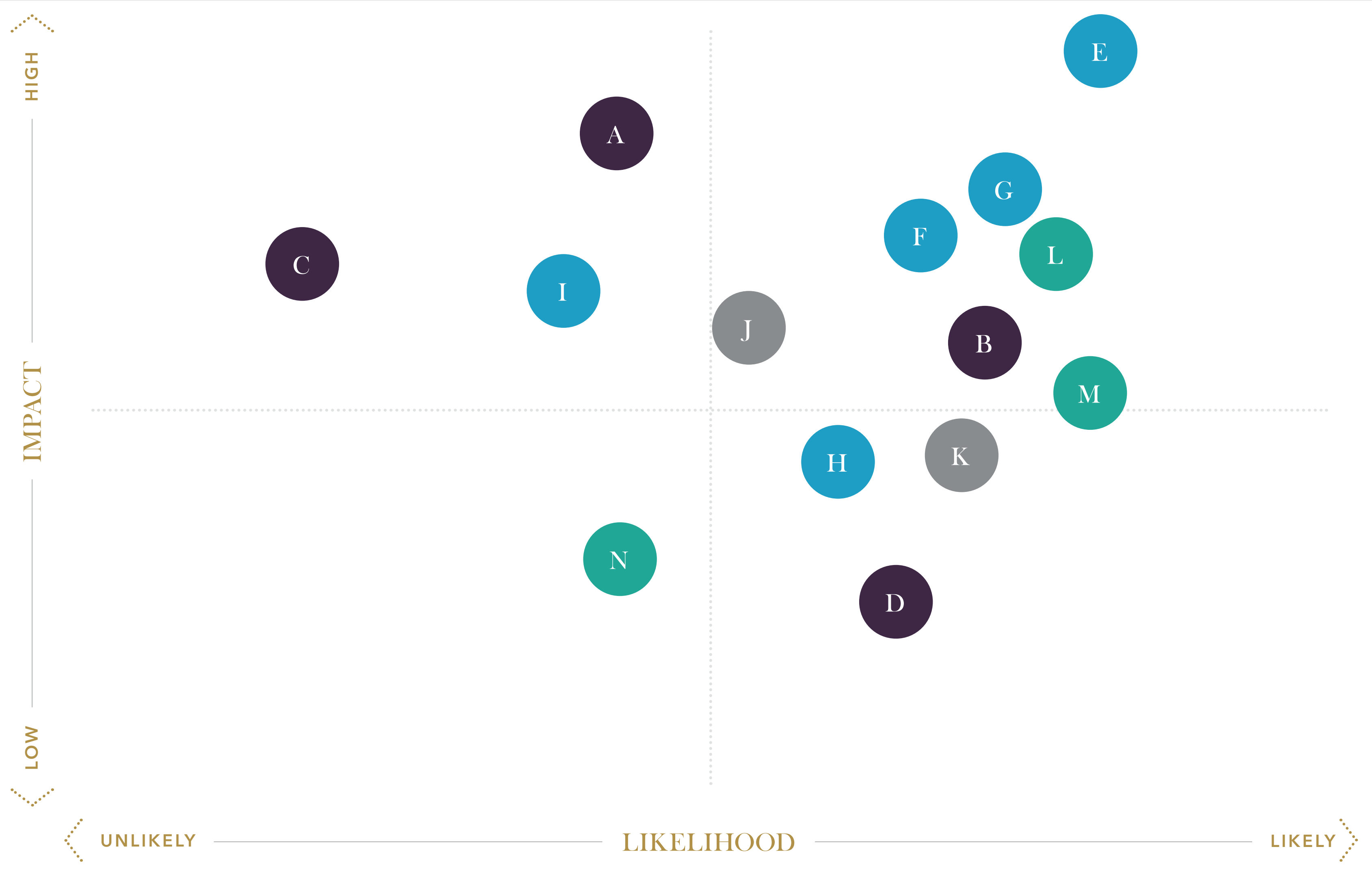
3

THIRD LINE OF DEFENCE

INDEPENDENT PROCESS ASSURANCE

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

PRINCIPAL RISK MAP



FINANCIAL AND INSURANCE

A Insurance Risk
B Market and Investment Risk
C Capital and Liquidity Risk
D Credit and Counterparty Risk

OPERATIONAL AND COMPLIANCE

E Business and System Disruption (including Cyber)
F Execution, Delivery and Process Management
G Clients, Products and Business Practices (including Legal, Tax and Outsourcing)
H People and Employment Practices
I Fraud and Financial Crime

BUSINESS AND STRATEGY

J Distribution Risk
K Acquisition and Integration Risk

EXTERNAL ENVIRONMENT

L Regulatory Change and Supervision Risk
M Technological and Digitalisation Risk
N Social and Environmental Risk

FINANCIAL AND INSURANCE

RISK	MITIGANT
INSURANCE RISK The Group is exposed to insurance risks when its operating businesses have unfavourable experience, including policy lapses and client retention, client mortality, morbidity, and longevity and business expenses.	The Group's operating businesses closely monitor lapse/client retention, mortality, morbidity, longevity and expense experience, to identify any outcomes that are materially different from the assumptions made and factor them into the Group's overall reserving assumptions accordingly. The Group continues to analyse possible direct and indirect impacts of the Covid-19 pandemic, including the possibility of any detrimental effect on policyholder morbidity and mortality as a result of the long-term effects of the outbreak. The operating businesses transfer a proportion of their insurance risks to third-party reinsurers, in line with the risk appetite, which subsequently exposes them to counterparty risk. This residual counterparty risk is managed through due diligence and ongoing monitoring of their reinsurance partners. Notable exposures exist to Scottish Widows and Generali.
MARKET AND INVESTMENT RISK The Group is exposed to market risk through shareholder investments and AMCs on policyholder investments. The key market risks impacting the Group are equity, currency, credit, inflation and interest rate risks.	The Group is exposed to the risk of adverse market movements, which can impact the value of the Group's policyholder assets and shareholder assets and the fees earned by the Group. The shareholder investment portfolio predominantly comprises of high-quality, liquid, fixed income holdings. The Group has an indirect exposure to market risk from AMCs which are based on the underlying portfolio valuation of the policyholders' assets. Certain of the Group's fees are inflation linked which partially mitigates the impact of inflation. Our products charge a mixture of per policy fees, also referred to as fixed fees, and AMCs. This diversification reduces the Group's exposure to market risk.
CAPITAL AND LIQUIDITY RISK Capital risk which is the risk that the Group is not able to maintain sufficient levels of solvency to achieve its strategy, run its business and withstand risk events in accordance with the prevailing regulations. Liquidity risk is the risk of not holding enough sufficiently liquid assets so that liabilities can be met as they arise. This risk arises mainly from claims as a result of policyholder contracts and from servicing debt requirements.	Utmost Group accepts that it is exposed to capital and liquidity risk through the nature of its business and the external environment in which it operates. The Group manages its solvency position through maintaining a balanced and diversified business portfolio, maintaining a capital buffer and active management of its financial position. Sufficient liquidity is maintained at all times so that UGP and its operating businesses can meet their respective obligations as they become due. This is achieved by maintaining sufficient cash to pay liabilities. In addition, the majority of the Group's insurance liabilities are through unit-linked contracts which carry low liquidity risk. Utmost Group's Credit and Liquidity policy sets out the liquidity risk limits and the Group forecasts its cash and liquidity position to ensure that it can service its debt requirements and meet expenses due.
CREDIT AND COUNTERPARTY RISK The Group is exposed to credit and counterparty risk through investments of its own financial assets and through its banking and reinsurance counterparties.	Utmost Group has an appetite for credit risk as part of normal business operations and its shareholder investment strategy. However, it does not have an appetite for large credit risk losses and aims to manage this risk by: implementing counterparty risk limits; investing in counterparties with low risk of default; and, adopting a risk-based and diversified investment strategy, focused on high-quality, low-duration investments with concentration limits in place to manage geographical, asset type and counterparty exposures. As ULP looks to enter the BPA market, this will bring exposure to credit risk on the assets backing the annuity business. These backing portfolios will be of mixed duration.

PRINCIPAL RISKS continued

OPERATIONAL AND COMPLIANCE

RISK	MITIGANT
BUSINESS AND SYSTEM DISRUPTION (INCLUDING CYBER) These risks can arise from disruption of business or system failures. Of particular note are cyber-crime risks which is an area of growing concern across the industry, particularly for companies that hold personal client information. Cyber-criminals are becoming ever more sophisticated and intrusive, with high profile ransomware incidents becoming widely publicised. A prolonged cyber incident could lead to financial losses, regulatory intervention and/or damage to the Group's reputation and brand.	A robust control environment minimises the likelihood of business resilience risks and effective business continuity planning minimises the impact in the event a risk does crystallise. This was tested in the year when one of Utmost's Irish offices was impacted by a fire and business continuity planning proved effective with operations being quickly restored. The Group operates a centralised cyber security model overseen by a Group Chief Information Security Officer who reports into the Group Chief Operating Officer. This ensures that a consistent approach is applied across the Group to mitigate security and cyber risk based on the National Institute of Standards and Technology ("NIST") standards. Cyber security remains a strong focus for the Group with new enhanced controls and monitoring having been put in place in 2023 with further plans for roll out in 2024.
EXECUTION, DELIVERY AND PROCESS MANAGEMENT These risks arise from inadequate design, management or execution of processes.	These risks are inherent to the activities of the business and are mitigated through a robust internal controls framework. Enhanced training of new staff, simplification of processes and technological enhancements all help to mitigate these risks.
CLIENTS, PRODUCTS AND BUSINESS PRACTICES (INCLUDING LEGAL, TAX AND OUTSOURCING) These risks arise from unintentional or negligent failures to meet a professional obligation including legal, taxation, outsourcing and third-party management risk. In addition there has been a rise of commercially funded and motivated group litigation actions, creating risks of unrecoverable legal costs and business opportunity risk.	The Group employs suitably trained personnel in the required specialisms, and complements this when needed with external consultancy or legal counsel. To strengthen the management of third-party and outsource arrangements, a Group Head of Procurement has been recruited and strengthened controls and processes implemented including in areas of due diligence, contractual clauses and ongoing monitoring. In addition, the exposure to material outsourcers is limited by the fact that client service teams are sourced in-house. The Group is impacted by the tax laws both of the countries in which it has operations and of the countries into which it sells its products. Tax authorities may introduce changes to the rules governing how insurance products are taxed in the hands of policyholders. These changes may adversely impact future levels of demand for the Group's products. Any tax changes would likely apply on a forward-looking basis, rather than retrospectively to the back-book. The Group always aims to maintain a transparent, collaborative and constructive approach with HMRC, the Irish Revenue Commissioners ("IRC") and other overseas authorities.
PEOPLE AND EMPLOYMENT PRACTICES Employees are core to the success of the business and the Group is exposed to operational risk if it fails to retain or attract a diverse and engaged workforce with the skills needed to deliver its strategy.	To ensure that Utmost Group remains an attractive place to work and that it can attract skilled individuals to support its operations, the Group provides a comprehensive remuneration and benefits package. This ensures appropriate support and recognition is provided to all employees. The remuneration and benefits packages are regularly monitored against local job markets and employee working practices. A comprehensive programme for training and developing staff is in place across the business to ensure employees retain necessary skills and to help individuals progress within the organisation. Flexible working requirements are considered taking account of personal as well as business needs and locational factors in which the relevant business operates.
FRAUD AND FINANCIAL CRIME These are risks that the Group are exposed to as a result of financial crime, including money laundering, terrorist financing, breach of international sanctions and fraud.	Utmost Group has a robust framework of policies, procedures and preventative and detective controls in place to minimise the risk of fraud and financial crime in its operations. Work has been underway to align and enhance the control framework across the Group and to take advantage of new technologies that can deliver a more robust control environment.

BUSINESS AND STRATEGY

RISK	MITIGANT
DISTRIBUTION RISK The Group is exposed to distribution risk mainly from new business through both UWS and UCS. This includes exposure to risks associated with money laundering and mis-selling. The growth anticipated in the Group's Business Plan may not materialise if inflows are lower than expected, if our propositions do not meet the requirements of our clients, or if it is not possible to write business on acceptable terms.	Strong compliance controls and regular reporting are in place to ensure compliance with the prevailing regulations. This includes a robust framework for identifying and mitigating potential money laundering. The Group distributes its products via third-party intermediaries who are authorised and regulated within the relevant jurisdictions. UWS is supported by a large number of distribution partners across geographies and client segments which direct business to them. The UWS proposition team tailors the features and design of the products to meet the needs of its clients. They actively identify areas for future growth aligned to the strategic goal of delivering good client outcomes. Feedback is sought from partners on the proposition to ensure it remains relevant, competitively priced and delivers good value. UCS works with brokers in each of their markets and maintains panel positions. UCS is the strategic partner of Generali Employee Benefits ("GEB") for Ireland, Pan Europe and Global solutions. Its products are unique in the market. UCS works closely with the brokers and with GEB on product development and to ensure our offering remains compelling and relevant. Utmost Life and Pensions is mainly a closed book of business with pension drawdown available to existing customers only. ULP is looking to expand into the BPA market, which will result in it writing immediate and deferred annuities as a 'buy-in' or 'buy-out' transaction with defined benefit pension schemes. ULP will not be exposed to distribution risk in relation to this activity as it will not be providing advice to the defined benefit pension schemes.
ACQUISITION AND INTEGRATION RISK The Group is exposed to the risk of failing to drive value and benefits through acquisitions. Integration is core to Utmost's strategy as it enables us to reduce expenses, secure financial and operational efficiencies and deliver synergies in our servicing functions. The Group is exposed to the risk of failing to deliver value through integration activities.	The Utmost team has a proven in-house capability to deliver the integration of acquired businesses and portfolio transfers. Clear criteria are applied to potential acquisition targets to gain an understanding of the potential benefits and risks. The Group's operating businesses continually review operational capacity to deliver integration activities. The agreed criteria are designed to deliver synergies within the operating businesses and align their operational model to the strategic road map. Due diligence is carried out prior to acquisitions to ensure an understanding of the operational architecture and risks. This ensures that acquired businesses contribute to the delivery of our strategic goals, including good client outcomes and optimised and efficient operations following the integration of the acquired business. Financial risks are assessed, and potential benefits are quantified. Integration projects ensure controls are in place from day one and periodic reviews are carried out providing senior management with early visibility of any issues or amendments required to budgets or timescales. Following the acquisition of Quilter International in late 2021, further integration work was carried out. The Transitional Services Agreement with Quilter plc was terminated in late 2023.

PRINCIPAL RISKS continued

EXTERNAL ENVIRONMENT

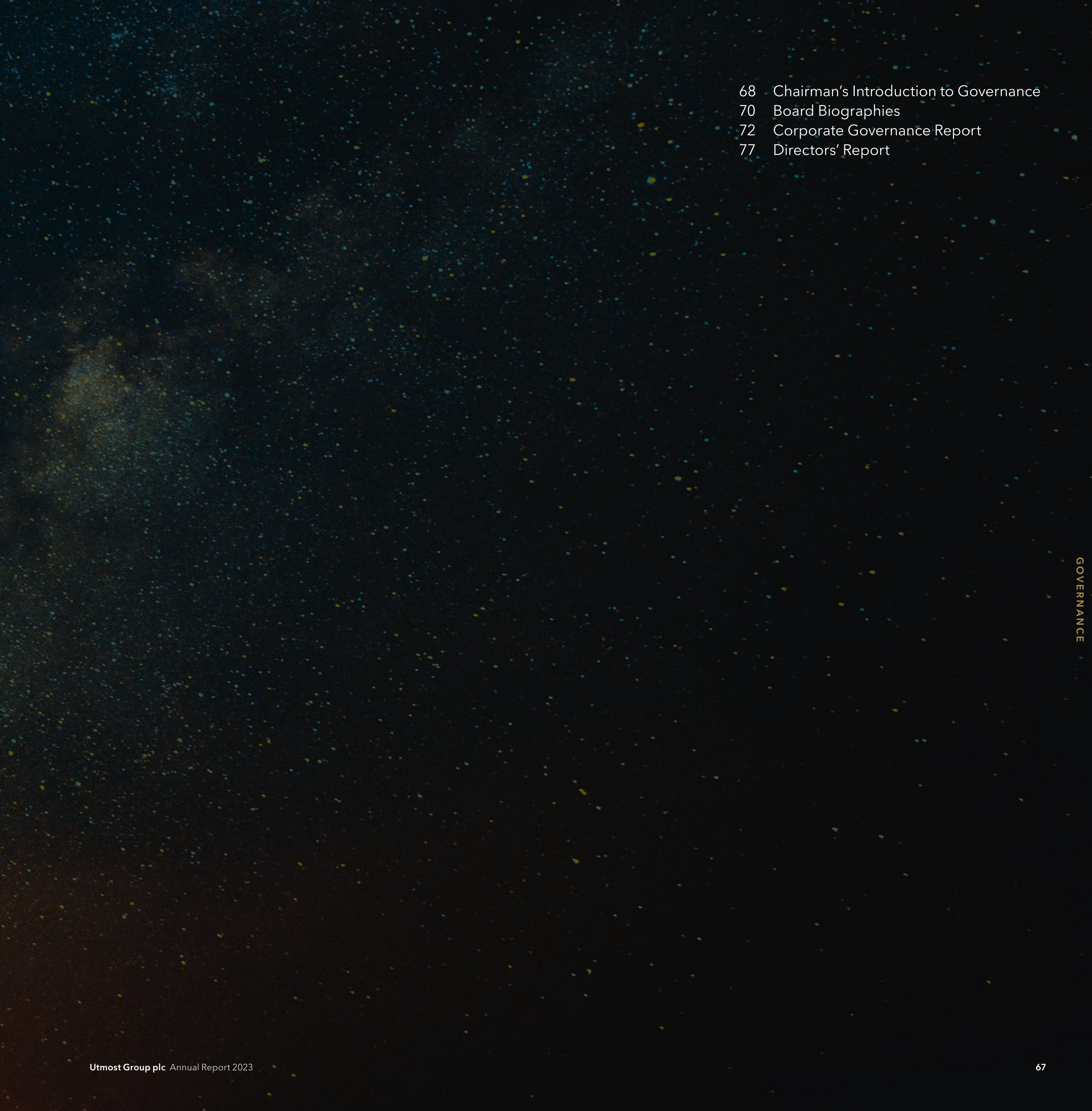
RISK	MITIGANT
REGULATORY CHANGE AND SUPERVISION RISK The potential for non-compliance with new or existing regulatory or legislative change impacting our operational, financial or solvency position.	Utmost Group is subject to Group Supervision by the PRA. The operating businesses come under the jurisdiction of various financial services regulators, including the PRA, the FCA, the IoM FSA, the CBI, the GFSC, the Hong Kong Insurance Authority, the Monetary Authority of Singapore and the Dubai Financial Services Authority. The Group's operating businesses undertake proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. Substantial changes are managed with the support of robust project governance frameworks. The Group aims to maintain transparent and collaborative relationships with its regulators and engage with relevant trade bodies and forums as required.
TECHNOLOGICAL AND DIGITALISATION RISK The Group may not realise its objectives if it does not keep pace with industry technology and innovation and an increased desire from clients for digital and online solutions.	Clients increasingly expect personalised service with the availability of online servicing alongside in-person support. Digitalisation is a key focus for the Utmost Group and management continue to invest in our online service centres as a part of our overall Digital Strategy to aid client access and create an efficient user experience. Utmost Group has put digitalisation at the core of its operational agenda and has for example brought in new digital tooling as part of the client onboarding process in a number of jurisdictions.
SOCIAL AND ENVIRONMENTAL RISK The Group may be exposed to loss of business and or damage to its reputation if it does not behave in an ethical manner or sufficiently address corporate, social and environmental concerns when pursuing its business strategies.	Utmost Group is committed to making a positive difference and to secure our customers' financial future through the delivery of solutions which result in greater prosperity for present and future generations. Our responsibility to our customers combines with a sense of responsibility in all our corporate actions to the environment, our employees and wider society in which we operate, in order to maximise the positive impact we can create. This ethos is underpinned by a robust controls framework including a Climate Risk Framework, regular monitoring of key metrics and annual stress and scenario testing of the potential impact of climate change on the Group's financial position and operational capabilities. The Group continues to enhance and monitor its Sustainability Strategy, which sets out our commitment to making a positive difference through our business activities. The strategy is set out along four pillars, which are underpinned by policies and targets, recognising that a responsible business encompasses a range of topics. Further detail on the Sustainability Strategy is set out on pages 37 to 40.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

In accordance with the requirements of section 414CB of the Companies Act 2006, the following table sets out where stakeholders can find information relating to non-financial and sustainability matters.

REPORTING REQUIREMENTS	FURTHER INFORMATION
Anti-Corruption and Anti-Bribery	Page 78
Business Model	Pages 22 to 27
Climate-Related Matters	Pages 46 to 52
Employees	Page 40 and 54
Environment Matters	Pages 36 to 52
Non-Financial KPIs	Pages 16 to 17, and 30
Principal Risks	Pages 60 to 64
Respect for Human Rights	Page 78
Social Matters	Page 38 and 78

GOVERNANCE REPORT



GOVERNANCE

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

James Fraser
Chairman

Good governance is central to making good decisions. It helps promote the long-term success of the Group, and ensures we consider views and interests of the Group's wider stakeholders.

James Fraser
Chairman

On behalf of the Board I am pleased to present our Corporate Governance Report for the year ended 31 December 2023. The following pages give an overview of our governance arrangements, the operation of the Board and how our responsibilities have been discharged during the year.

GOVERNANCE AND RISK MANAGEMENT

The Board is responsible for setting the Group's strategy, purpose, business model and culture. Utmost strongly believes in the importance of high standards of good governance and the directors understand the key role they play in helping to facilitate this. It is essential that this tone is set from the top and communicated to the business. The Board is committed to maintaining a robust and effective governance, control and risk management framework. This framework is now embedded in the business with regular reporting to the Board.

BOARD EFFECTIVENESS REVIEW

The Board has undertaken a review of its performance for 2023. This review was facilitated by a third party through a confidential questionnaire. The results were very positive and were discussed at a Board meeting. Recommendations have been agreed and the closure of these will be monitored by the Board.

STAKEHOLDERS

The role of the Board is to support the business to achieve its aims for its stakeholders. The Utmost Board are aware that the Group's stakeholders are key to its ongoing success. We consider the interests of a wide range of stakeholders and have identified our key stakeholder groups. A description of each and the Company's engagement activities with those groups is set out in our s.172(1) Statement, which can be found on page 53. It is also vital that the Board pays due regard to the interests of our stakeholders in the decision-making process. We explain how we have done so in the context of some key decisions throughout the year on page 73.

James Fraser
Chairman
19 APRIL 2024

BOARD BIOGRAPHIES

JAMES FRASER
CHAIRMAN

Appointed October 2021

EXPERIENCE

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

James is also a Non-Executive Director and Chairman of the Audit and Risk Committee of Atomos, a Wealth Management Business and a Trustee of Argyll & the Isles Coast & Countryside Trust, and the Barrahormid Trust.

EDUCATION

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

SKILLS

- Financial Services
- Regulatory
- Mergers and Acquisitions

PAUL THOMPSON
UTMOST GROUP CHIEF EXECUTIVE OFFICER

Appointed October 2019

EXPERIENCE

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

Paul was an investment banker specialising in financial institutions before joining Britannic Group as Group Finance Director in 2002. Following his appointment as Group CEO at Britannic Group he repositioned the Group as a life assurance consolidator before merging with Resolution plc, becoming Group CEO of the merged group until its acquisition in 2008.

Paul subsequently worked as Head of Financial Services at Pamplona Capital Management, a private equity fund.

EDUCATION

- MA from the University of Cambridge

SKILLS

- Financial Services
- Mergers and Acquisitions

IAN MAIDENS
UTMOST GROUP CHIEF FINANCIAL OFFICER

Appointed October 2019

EXPERIENCE

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

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

EDUCATION

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

SKILLS

- Actuarial
- Risk Management
- Financial Services
- Regulatory
- Mergers and Acquisitions

CHRIS BOEHRINGER
NON-EXECUTIVE DIRECTOR AND OAKTREE REPRESENTATIVE

Appointed October 2020

EXPERIENCE

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

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

EDUCATION

- BA in Economics from Harvard University
- MBA from INSEAD

SKILLS

- Mergers and Acquisitions
- Financial Services

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

Appointed July 2021

EXPERIENCE

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

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

EDUCATION

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

SKILLS

- Actuarial
- Risk Management
- Financial Services
- Regulatory

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

Appointed February 2021

EXPERIENCE

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

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

EDUCATION

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

SKILLS

- Legal
- Corporate Restructuring and Insolvency
- Regulatory
- Financial Services

CORPORATE GOVERNANCE REPORT

The Group's governance arrangements have been embedded in the business and remain appropriate to support the long-term growth prospects of the business.

OUR BUSINESSES

Utmost International primarily provides insurance-based wealth solutions to clients to help safeguard their wealth for future generations. Utmost International operating subsidiaries include UPE incorporated in Ireland, UIIOM, incorporated in the Isle of Man and UW Limited, incorporated in Guernsey.

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

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

GOVERNANCE STRUCTURE OF THE GROUP

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

The ARCC has met five times throughout 2023. The Committee is chaired by an independent non-executive director and oversees financial reporting, internal financial controls and risk management systems and processes on behalf of the Board. The Group Internal Audit function is also overseen by this Committee, as well as the Group's relationship with external auditors.

STAKEHOLDER CONSIDERATION IN STRATEGIC DECISION-MAKING

As mentioned in the s.172 Statement in the Strategic Report on page 53, the Board recognises the importance of effective engagement with our key stakeholders in the success of the Group. The table opposite demonstrates how the directors have taken into consideration the Company's business relationships with key stakeholders in strategic decisions made during the year.

BOARD ATTENDANCE TABLE

DATE	IAN MAIDENS	PAUL THOMPSON	CHRIS BOEHRINGER	KATHERINE RALPH	JAMES FRASER	GAVIN PALMER
07/03/2023	✓	✓	✓	✓	✓	✓
20/04/2023	✓	✓	✓		✓	✓
10/05/2023	✓	✓	✓	✓	✓	✓
04/07/2023	✓	✓	✓	✓	✓	✓
13/09/2023	✓	✓	✓	✓	✓	✓
15/11/2023	✓	✓	✓	✓	✓	✓
12/12/2023	✓	✓	✓	✓	✓	✓

Apologies were provided due to pre-existing commitments

MATTERS CONSIDERED

BULK PURCHASE ANNUITY

OBJECTIVE

As part of the annual Business Plan approval, the Board discussed the business case for Utmost Life and Pensions to enter into the Bulk Purchase Annuity market during 2024. The objective of the Board discussion was to understand the infrastructure and capabilities required to enter the BPA market successfully as well as to understand the business implications.

WHAT WE DID

The Board received detailed management information on this proposal, along with regulatory requirements. The Board's deliberations included considerations of the timing of entering into the BPA market and any stakeholder implications.

BENEFITS

Entering into the BPA market will provide Utmost with the opportunity to generate additional Solvency II Economic Value. This will enable the provision of optimal returns to stakeholders and good outcomes to clients.

S.172 FACTORS/ KEY STAKEHOLDERS

Clients
Investors
Regulators

IFRS 17

OBJECTIVE

The objective was for the Board to monitor the implementation of IFRS 17 and to approve financial reporting on an IFRS 17 basis.

WHAT WE DID

The Board performed the following activities in respect of the adoption of IFRS 17:

- Reviewed and approved IFRS 17 accounting methodology and monitored the development and implementation of IFRS 17 reporting processes
- Held training sessions on the requirements of IFRS 17 and the accounting methodology adopted by the Group
- Reviewed and approved the IFRS 17 transition balance sheet, the FY 2022 IFRS 17 results and the HY 2023 IFRS 17 interim results
- Evaluated reporting from PwC on the implementation of IFRS 17 and their work in respect of the IFRS 17 comparative results
- Reviewed and approved the annual Business Plan which was presented on an IFRS 17 basis

BENEFITS

The adoption of IFRS 17 allows the Group to continue to meet its regulatory and statutory requirements and through increased consistency of reporting between insurance companies will lead to improved investor confidence.

S.172 FACTORS/ KEY STAKEHOLDERS

Clients
Investors
Regulators

CYBER SECURITY

OBJECTIVE

As part of the Board's ongoing objective to ensure the safety of the Group's information from cyber-attacks, the Board continued to discuss and monitor the Group's readiness in responding effectively to any potential cyber-attacks.

WHAT WE DID

The Board has taken significant steps to develop the Group's Information Security approach to ensure that any potential cyber risks are identified quickly, allowing Utmost to respond effectively to any information security incidents across the Group. Steps taken to progress this work include:

- A centralised cyber security incident response team has been established allowing Utmost to respond consistently and effectively to any cyber threats
- Improved and consistent cyber awareness training has been rolled out across the Group, including targeted training for specific IT roles
- Security tools have been deployed within Utmost
- A single IT and Cyber Risk register now in place to manage cyber risks per entity and collectively
- External Physical Security Assessments completed

BENEFITS

The Board recognises the importance of a speedy and effective response to any possible cyber security incident. This will enable our stakeholders to feel confident that any potential cyber threats are identified quickly and responded to effectively.

S.172 FACTORS/ KEY STAKEHOLDERS

Clients
Employees
Investors
Regulators

A YEAR IN REVIEW

The Board held five scheduled meetings during the year, plus two meetings to consider specific projects and transactions. In addition to consideration of the significant strategic decisions set out in detail on page 73, the Board agenda for the year included:

- Regular updates from the CEO on business performance
- Updates from the Chairman of the ARCC
- An update on the Group's financial performance
- Consideration of strategic matters including:
  - the Group's Business Plan
  - organic growth opportunities
  - the acquisition pipeline
- Discussion of key initiatives such as development of the Sustainability Strategy and monitoring progress made against the targets set out therein
- Consideration of key financial and actuarial matters including:
  - IFRS 17 Methodology and Assumptions
  - ORSA
  - ORSA Sensitivities and Scenarios
  - the appropriateness of the use of the Standard Formula for the Group
- Approval of the financial and regulatory reporting required of the Group including:
  - Annual Report
  - Solvency and Financial Condition Report
  - Quantitative Reporting Templates

GROUP BOARD AND COMMITTEE STRUCTURE

The day-to-day activities of the Utmost Group are controlled by the Board, which comprises a non-executive Chairman who was independent upon appointment, an independent non-executive director, two shareholder nominated non-executive directors to represent Oaktree, and the Founders. The Board has certain matters reserved to it in accordance with the Shareholder Agreement between Oaktree, the Founders, and the principal holding companies including the Company. A summary of these matters is provided below.

KEY MATTERS RESERVED FOR THE BOARD

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

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

GROUP AUDIT, RISK AND COMPLIANCE COMMITTEE

The Board is supported by the ARCC which is responsible for: making recommendations to the Board on the appointment of auditors and the audit fee; ensuring that the financial performance, of the Company is properly monitored and reported on: and, reviewing the Company's financial statements and any formal statements on financial performance, as well as reports from the Company's auditors on those financial statements. In addition, the ARCC reviews the Company's internal control and risk management systems to assist the Board in fulfilling its responsibilities relating to the effectiveness of those systems. The ARCC meets no less than four times a year.

The Committee noted that the FRC had reviewed PwC's audit of Utmost Group plc's financial statements for the year ended 31 December 2022, for which no significant recommendations were made by the FRC for further improvement and a number of areas of good practice were highlighted. The Committee were therefore satisfied as to the quality of the audit.

BOARDS AND COMMITTEES OF OPERATING BUSINESSES

The operating companies within the Group are governed by their constitutional documents, local law and regulation, and the Shareholder Agreement. As such, each operating business has its own governance structures, all of which are broadly aligned across the Utmost Group. Boards of each of the regulated operating companies ("subsidiary boards") each have mandates and duties which are drafted to align with the requirements of the Shareholder Agreement and local law and regulation. A summary of these matters is provided on page 76.

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

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

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

The board of ULP has also formed a Nominations Committee and a With-Profits Committee to assist it in carrying out its duties. UPE also delegates certain administrative responsibilities to a Banking Committee. Further details of each committee's responsibilities are provided on page 76.

STRATEGY AND PERFORMANCE

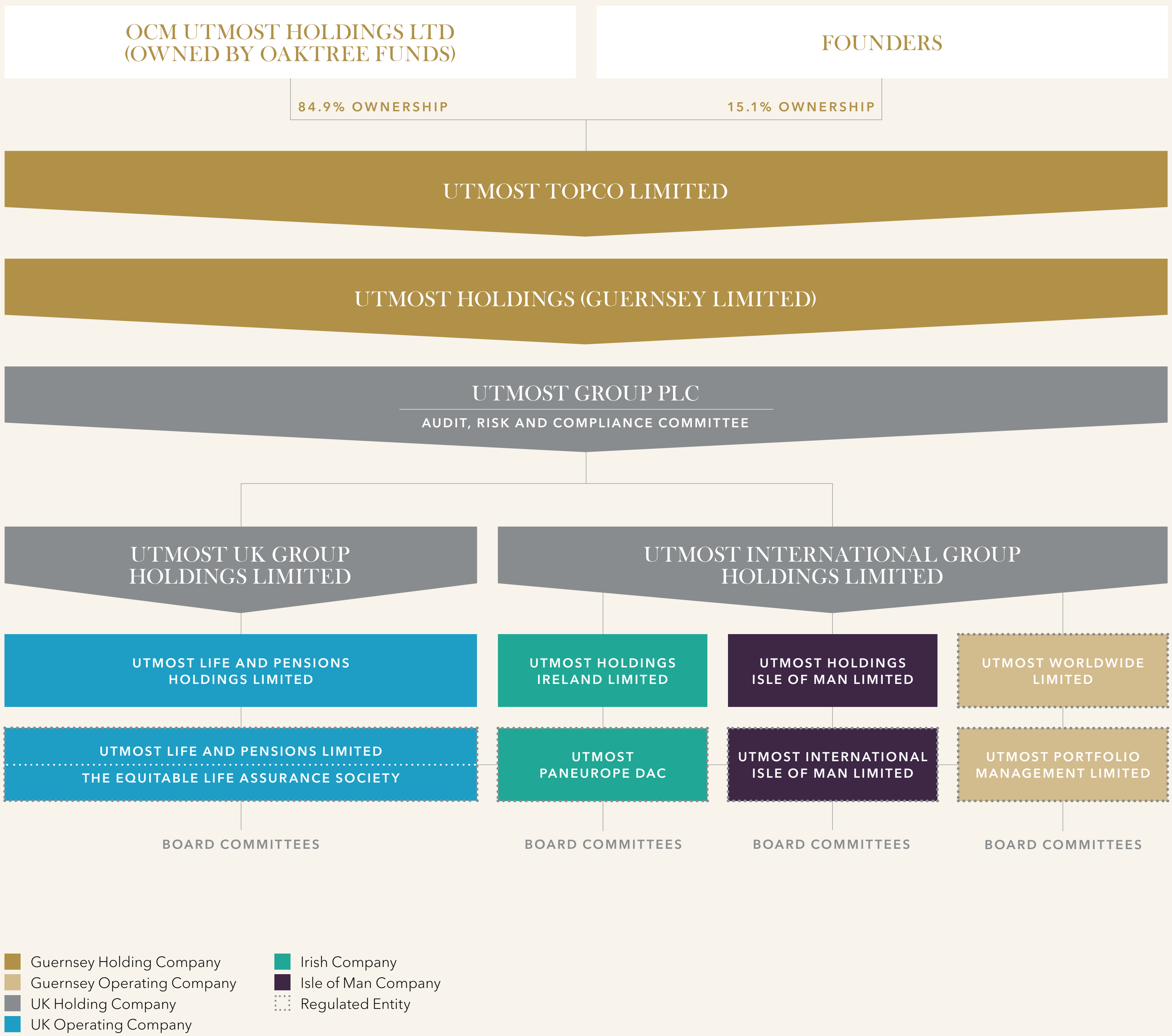
The subsidiary boards each develop their business plans to enable the achievement of the strategic pillars of the Utmost Group, whilst ensuring that the entities operate within each of their risk appetites and frameworks. The subsidiary boards also monitor business performance and the ability of each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

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

The Company is indirectly owned by Utmost Topco Limited ("Topco"), a Guernsey incorporated company. Topco is 84.9% owned by OUHL, a company under the control of Oaktree, which is the ultimate controller of the Group. The remaining 15.1% of Topco is held by Paul Thompson and Ian Maidens, the Founders of the business. OUHL is owned by several funds managed by subsidiaries of Oaktree, whose principal business is to make investments. For further information on the economic and beneficial ownership of the Utmost Group, please refer to the Directors' Report on pages 77 to 79.

Alignment of the activities and processes of the subsidiary boards and governance arrangements across the Group is ongoing. The Group Risk Appetite continues to be reviewed and strengthened as part of the continued enhancements of the Group Risk Management and Policy Framework.

OWNERSHIP AND GOVERNANCE STRUCTURE



SUBSIDIARY GOVERNANCE

Mandate of the boards of the operating businesses

The duties of the boards of the operating businesses include:

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

Purpose of the subsidiary board committees in the operating businesses

AUDIT COMMITTEE

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

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

RISK AND COMPLIANCE COMMITTEE

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

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

INVESTMENT COMMITTEE

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

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

REMUNERATION COMMITTEE

The duties of the Remuneration Committees of each business include:

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

NOMINATIONS COMMITTEE

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

WITH-PROFITS COMMITTEE

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

BANKING COMMITTEE

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

COMPLIANCE WITH LAW AND REGULATION

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

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

CONFLICTS OF INTERESTS

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report together with the audited consolidated and Company financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

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

DIRECTORS AND SECRETARY

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

– Paul Thompson
– Ian Maidens
– Chris Boehringer
– Katherine Ralph
– Gavin Palmer
– James Fraser
– Larysa Dlaboha (Secretary) (Resigned 2 February 2024)
– Alice Rivers (Secretary) (Appointed 2 February 2024)

Two directors, Paul Thompson and Ian Maidens, have an equity interest in Topco. Details of these interests are disclosed in note 34 of the consolidated financial statements. The Company Secretaries had no beneficial interests in the shares of any Group company.

RESULTS AND DIVIDEND

The result for the year is shown in the Consolidated Statement of Comprehensive Income on page 88.

Dividends totalling £200m were paid during the year.

OWNERSHIP

The sole shareholder of the Company is Utmost Holdings (Guernsey) Limited ("UHGL"), registered in Guernsey. The ultimate parent company into which the Company's results are consolidated is Topco (illustrated in the structure chart on page 75). Topco is part-owned 15.1% by the Founders and 84.9% by an investment vehicle owned by funds managed by subsidiaries of Oaktree. Oaktree is a leading global investment manager specialising in alternative investments with $189bn in assets under management as of 31 December 2023. Oaktree is regulated by the US Securities and Exchange Commission ("SEC") and its UK entity, Oaktree Capital Management (UK) LLP, is authorised and regulated by the FCA.

The economic beneficiary owners of the Utmost Group are the Founders and the limited partners in the Oaktree Funds, none of whom play any part in the management of those Funds. The management of the Funds is delegated to the General Partners of the Funds, controlled by Oaktree. Oaktree therefore has significant indirect control of the investments in the Oaktree Funds, and is deemed the ultimate significant controller of the Company. Brookfield Asset Management ("Brookfield") owns a majority interest of approximately 68% of Oaktree's business on an economic basis, and an approximate 18% voting interest. Brookfield is an alternative asset manager and Brookfield and Oaktree together have over $900bn in assets under management. Brookfield is regulated by the US SEC in the United States, and the Canadian Securities Administrators ("CSA") in Canada.

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

INDEPENDENT AUDITOR

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

GOING CONCERN

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

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

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

QUALIFYING INDEMNITY PROVISION

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

POLITICAL DONATIONS

No political donations or contributions were made or expenditure incurred by the Company or its subsidiaries during the year (2022: nil) and there is no intention to make or incur any in the current year.

EQUAL OPPORTUNITIES AND HEALTH & SAFETY

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

ANTI-BRIBERY AND ANTI-CORRUPTION

Utmost Group has a zero tolerance approach to acts of bribery and corruption. Across the Group, we are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, in the countries we operate.

The Group has in place an Anti-Bribery and Corruption policy and a Whistleblowing policy. These policies are designed to ensure that all employees, directors and third parties operating on behalf of the Group are aware of their obligations as a representative of Utmost. These policies are updated annually. There were no instances of money laundering or bribery or corruption in 2023.

Internal control measures include: the maintenance of a gifts and hospitality register; a prevention on donations to political parties or candidates; regular training; and detailed record and accurate record keeping.

HUMAN RIGHTS AND MODERN SLAVERY ACT

Human rights are the basic rights and freedoms that belong to every person in the world. At Utmost Group, we are committed to respecting human rights, and that the Group is free from all discrimination and harassment.

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

Our Modern Slavery Statement details the policies that we have in place and the ongoing actions that are being taken across the Group to continue to support the combating of modern slavery and human trafficking in supply chains.

Our Modern Slavery Statement is available on the Group website: https://www.utmostgroup.com/modern-slavery-act-statement

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and the Parent Company financial statements in accordance with UK-adopted international accounting standards.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK-adopted international 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 Group and Parent Company will continue in business.

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

DISCLOSURE IN THE STRATEGIC REPORT

As permitted by paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted and included in the Strategic Report on pages 12 to 65.

- Likely future developments in the business of the Company and its subsidiaries;
- Details of post-balance sheet events; and
- Principal risks, risk management and the use of financial instruments.

The Strategic Report comprising pages 12 to 65 of this Annual Report and Accounts, the Governance Report comprising pages 68 to 76, and the Directors' Report comprising pages 77 to 79 were approved by the Board and signed by order of the Board by:

Ian Maidens
Group Chief Financial Officer
19 APRIL 2024

GOVERNANCE

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UTMOST GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

– give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
– have been properly prepared in accordance with UK-adopted international accounting standards; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2023; the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Statements of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

Independence

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

OUR AUDIT APPROACH

Overview

AUDIT SCOPE

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

KEY AUDIT MATTERS

– Valuation of insurance contract liabilities – Longevity Assumptions (group)
– Valuation of insurance contract liabilities – Expense Assumptions (group)
– Valuation of insurance contract liabilities – Persistency Assumptions (group)
– Judgements over the implementation of IFRS 17 (group)
– Recoverability of the Company's investments in undertakings (parent)

MATERIALITY

– Overall group materiality: £10,900,000 (2022: £12,500,000) based on 1% (2022: 1%) of Total Equity.
– Overall company materiality: £15,700,000 (2022: £15,700,000) based on 1% (2022: 1%) of Total Equity.
– Performance materiality: £8,175,000 (2022: £9,300,000) (group) and £8,175,000 (2022: £11,700,000) (company).
– Specific overall group materiality of assets held to cover linked liabilities, investment contract liabilities and associated income statement line items: £596,400,000 (2022: £569,200,000) based on 1% (2022:1%) of the Financial assets at fair value held to cover linked liabilities.
– Specific performance group materiality of assets held to cover linked liabilities, investment contract liabilities and associated income statement line items: £447,300,000 (2022: £426,900,000)

The scope of our audit

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

Key audit matters

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

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

Transition to IFRS 17 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INSURANCE CONTRACT LIABILITIES – LONGEVITY ASSUMPTIONS (GROUP) Refer to Note 21 Insurance contract liabilities and Note 29 Risk management in the Consolidated Financial Statements. Longevity assumptions are an area of significant management judgement, due to the inherent uncertainty involved. Whilst Utmost Group plc manages the extent of its exposure to longevity risk through reinsurance, we consider these assumptions underpinning gross insurance contract liabilities to be a key audit matter given the Group's exposure to annuity business in the UK and Guernsey. The longevity assumption has two main components: **Base mortality assumption** This part of the assumption is mainly driven by internal experience analyses, but judgement is also required. For example, in determining the most appropriate granularity at which to carry out the analysis; the time window used for historical experience, or whether data should be excluded from the analysis; and in selecting an appropriate industry mortality table to which management overlays the results of the experience analysis. **Rate of mortality improvements** This part of the assumption covers how mortality rates are expected to change in future. This is an area where past recent data is less relevant and relies more heavily on judgements being applied. A margin for prudence is allowed for in the assumptions used in the valuation of the insurance contract liabilities.	We performed the following procedures to test the longevity assumptions (including base mortality assumptions, future mortality improvements): – Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; – Where relied on we have tested the controls in place around the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within actuarial models; – Validated the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the parameterisation and selection of the version of the CMI model including the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages; – Validated the appropriateness of expert judgements on the use of internal data and parameterisation of the CMI model data for COVID years; – Compared aspects of the calibration of the CMI model for future annuitant mortality improvements selected by management against those used by peers using our annual actuarial assumptions benchmarking survey of the market; and – Assessed the disclosure of the annuitant mortality assumptions and their sensitivities. Based on the procedures performed and the evidence obtained, we consider the longevity assumptions to be appropriate.
VALUATION OF INSURANCE CONTRACT LIABILITIES – EXPENSE ASSUMPTIONS (GROUP) Refer to Note 21 Insurance contract liabilities and Note 29 Risk management in the Consolidated Financial Statements. Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities. In the UK business the methodology to allow for expenses includes an allowance for the diseconomies of scale as the business volumes reduce. These assumptions require significant judgement including the level of future expenses as well as the allocation between maintenance/acquisition, the allocation between products, the future policy levels and the margin for prudence.	We performed the following procedures over maintenance expenses: – We understood and tested the governance process in place to determine the maintenance expense, expense inflation assumptions and for the UK business the allowance for diseconomies of scale; – We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience; – Where maintenance expenses are based on budgeted levels of expenses we challenged the 2024 budgeted expenses and compared these to the 2023 actuals against the 2023 budget; – Where maintenance expenses are based on historical costs we have checked that these reconcile to the total expenses; – We have assessed the classification of expenses between ongoing and one-off costs and the classification between fixed or variable to supporting evidence; – We tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in-force at the balance sheet date; – We assessed the method used to set expense inflation assumptions, checked the alignment with market inflation curves and tested the calculation of the assumptions; – We have reviewed and challenged significant judgements and assumptions used, particularly relating to the allowance in the UK for spreading of fixed costs over the reducing portfolio of business as it runs-off. Based on the procedures performed and evidence obtained, we consider the expense assumptions to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INSURANCE CONTRACT LIABILITIES – PERSISTENCY ASSUMPTIONS (GROUP) Refer to Note 21 Insurance contract liabilities and Note 29 Risk management in the Consolidated Financial Statements. Persistency assumptions are a significant risk due to the need for management judgement and the inherent uncertainty involved. These assumptions impact the measurement of any non-unit liabilities. Persistency assumptions are set by performing an analysis of experience often including actual versus expected analysis on previous valuation assumptions. Assumptions are then set for each product type and other significant explanatory variables (such as age).	We performed the following procedures over persistency assumptions: – Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; – Where relied on we have tested the controls in place around the performance of persistency experience analysis studies, approval of the proposed assumptions and implementation within actuarial models; – Reviewed the results of the experience analyses and conclusions; including understanding the rationale for changes from the prior year; – Challenged judgements applied by management in the selection of data, including choice of data period, data grouping, exclusion of exceptional experience, and choice of metric (e.g. policy count, funds under management etc) Based on the procedures performed and evidence obtained, we consider the persistency assumptions to be appropriate.
JUDGEMENTS OVER THE IMPLEMENTATION OF IFRS 17 (GROUP) Refer to Note 1 Accounting policies and change in accounting policies and Note 21 – Insurance contracts and reinsurance. We have identified that there are elements of the Company's transition to IFRS 17 that constitute a key audit matter, particularly around the following: (a) The methodology and assumptions used to calculate the CSM for contracts measured using the Fair Value Approach at the IFRS 17 transition date. There is significant judgement within determining what a fair value is for these contracts as at the transition date and the methods and assumptions which drive the valuation at transition. (b) The determination of the date before which it is impracticable to apply the Fully Retrospective Approach, and therefore applying the Fair Value Approach, is a significant judgement in determining the approach for transition to IFRS 17. The two approaches would drive a different valuation of CSM at transition. (c) The methodology in the determination of the risk adjustment. There is significant judgement with determining the methodology for the risk adjustment as different methodology would lead to a difference in calculation of the risk adjustment. Significant judgement is required to determine the management view of the required compensation for bearing risk.	(a) We performed the following procedures to assess the methodology and assumptions used to calculate the CSM for contracts measured using the Fair Value Approach for the transition to IFRS 17: – Tested the appropriateness of expert judgements used in the methodology selected for determining the Fair Value of the insurance and reinsurance contracts, and how these were consistent with the Fair Value requirements of IFRS 13 – Tested the controls in place around the approval of the proposed actuarial assumptions underlying the fair value of liabilities calculations – Compared the methodology and assumptions selected by Utmost against those used by their peers using appropriate market evidence collated by management, from a range of sources including external experts (b) We performed the following procedures over the determination of the date before which it is impracticable to apply the Fully Retrospective Approach: – Obtained and challenged management's assessment that it was impracticable, due to the inability to calculate the historic view of risk adjustment without applying hindsight, to apply the Full Retrospective Approach to all insurance contracts in force at the transition date. – Obtained corroborating and supporting evidence from our existing knowledge of the business including the historic structure of the group, previous acquisitions and the group's risk appetite framework. – Reviewed the disclosures within the financial statements to ensure the judgement was appropriately disclosed. (c) We performed the following procedures over the methodology in the determination of the risk adjustment – Tested the reasonableness of the methodology and appropriateness of expert judgements used in the determination of the risk adjustment, and how these were consistent with the requirements of IFRS 17 – Assessed the rationale for calibrating the initial risk adjustment based on the management's view of risk – Reviewed the calibration of stresses in the risk adjustment calculation implementation of the risk adjustment calculation Based on the procedures performed and the evidence obtained, we consider the methodology and assumptions applied for the transition to IFRS17 to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
RECOVERABILITY OF THE COMPANY'S INVESTMENTS IN UNDERTAKINGS (PARENT) Refer to Note 3 in the Financial statements of the parent. In the Company's statement of financial position, investments in subsidiaries are reported at cost less impairment. As the principal purpose of the parent company is as a holding company, we consider this to be the key audit matter to the parent company accounts	In respect to the carrying value of investments in undertakings we: – Verified that the accounting policy is in compliance with the applicable financial reporting framework; and – Obtained management's assessment of impairment indicators in investments in subsidiaries, assessed key inputs and evaluated whether there are any indications of impairment based on our understanding of the business; and – Tested the carrying value of investment by comparing it to their recoverable amount. Based on the work performed and the evidence obtained, we consider the carrying value of investments in undertakings to be appropriate.

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

The Group comprises of wholly owned subsidiaries, which include regulated insurance entities operating primarily in the United Kingdom, Isle of Man, Guernsey, and Ireland.

Based on the output of our risk assessment, along with our understanding of the Utmost Group structure, we performed full scope audits over the following components: Utmost Life and Pensions Limited, Utmost Worldwide Limited, Utmost Holdings Isle of Man Limited, and Utmost Holdings Ireland Limited.

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

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

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

The impact of climate risk on our audit
As part of our audit we made enquiries of management to understand the process that has been adopted to assess the extent of the potential impact of climate risk on the financial statements and to support disclosures made. We remained alert when performing our audit procedures for any indicators of the impact of climate risk, including in our testing of going concern. We also considered the consistency of the disclosures in relation to climate change between the Annual Report and the financial statements based on the knowledge obtained from our audit.

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

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

	FINANCIAL STATEMENTS – GROUP	FINANCIAL STATEMENTS – COMPANY
OVERALL MATERIALITY	£10,900,000 (2022: £12,500,000).	£10,900,000 (2022: £15,700,000).
HOW WE DETERMINED IT	1% (2022: 1%) of Total Equity	1% (2022: 2.5%) of Total Equity
RATIONALE FOR BENCHMARK APPLIED	We believe that Total Equity, which drives the Group's ability to generate surplus and pay dividends, is the primary measure used by the relevant stakeholders in assessing performance, as well as being a generally accepted materiality benchmark. We have applied a specific materiality to investment contract liabilities and assets held to cover linked liabilities (and the associated income statement line items) for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities. Regarding this specific materiality the benchmark is Assets held to cover linked liabilities as this is the primary measure used by the relevant stakeholders as it is a key performance indicator of the business. Materiality has been consistently rounded down to the nearest thousand.	We believe that Total Equity, which drives the Company's ability to generate surplus and pay dividends, is the primary measure used by the relevant stakeholders in assessing performance, as well as being a generally accepted materiality benchmark. Materiality has been consistently rounded down to the nearest thousand.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £7,500,000 and £10,200,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £8,175,000 (2022: £9,300,000) for the group financial statements and £8,175,000 (2022: £11,700,000) for the company financial statements.

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

For certain balances: assets held to cover linked liabilities, investment contract liabilities and associated income statement line items, our specific performance materiality was 75% of the specific overall materiality for assets held to cover linked liabilities and technical provision for linked liabilities amounting to £596.4m (2022: £426.9m).

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £545,000 for the Overall Financial statements materiality based on the Total Equity benchmark and specifically £10,900,000 for Assets held to cover linked liabilities, investment contract liabilities and associated income statement line items (group) (2022: £625,000 for the Overall Financial statements materiality based on the Total Equity benchmark and specifically £12,500,000 for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items) and £545,000 (company) (2021: £785,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

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

- Obtaining the directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered by the Group;
- Assessing the impact of severe, but plausible, downside scenarios;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Reviewing certain Board and Committee minutes, and attendance of relevant Audit, Risk and Compliance Committee meetings and reporting component Audit Committee meetings.

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

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

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

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

REPORTING ON OTHER INFORMATION

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

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with the Board and management, including consideration of any known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with applicable regulators, including the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit, Risk and Compliance Committee, Board of Directors and attendance of certain Audit Committees of reporting components;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to insurance contract liabilities and judgements over the implementation of IFRS 17 (see related Key Audit Matters above);
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the Group's register of litigation and claims in so far as they related to non-compliance with laws and regulations and fraud.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
19 APRIL 2024

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £'000	Restated* 2022 £'000
Insurance revenue		**253,781**	233,579
Insurance service expenses		**(219,235)**	(214,888)
Net expense from reinsurance contracts held		**(21,884)**	(859)
Insurance service result	21	**12,662**	17,832
Fees and charges receivable on investment business	6	**315,789**	335,348
Investment return		**4,537,991**	(6,815,577)
Finance (expenses)/income from insurance contracts issued		**(518,856)**	749,882
Finance income/(expenses) from reinsurance contracts held		**70,437**	(195,196)
Movement in investment contract liabilities	20	**(4,075,594)**	6,257,054
Net financial result	7	**13,978**	(3,837)
Other income		**59,266**	10,317
Other operating expenses	8	**(209,059)**	(198,065)
Amortisation of acquired value of in-force business	11	**(122,956)**	(141,961)
Reversal of impairment/(impairment) of acquired value of in-force business	11	**8,421**	(8,421)
Profit/(loss) for the year before interest and tax		**78,101**	11,213
Finance costs	9	**(17,376)**	(17,783)
Profit/(loss) for the year before tax		**60,725**	(6,570)
Tax charge	10	**(6,661)**	(4,352)
Profit/(loss) for the year after tax		**54,064**	(10,922)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit and loss			
Change in fair value of financial assets at fair value through OCI		**3,989**	(5,756)
Foreign currency translation movements in the year	27	**(5,073)**	13,872
Items that will not be reclassified to profit and loss			
Remeasurement on retirement benefit asset/obligation		**(1,470)**	6,780
Fair value movements of owner occupied land and buildings		**269**	–
Shareholder tax on items that will not be reclassified subsequently to profit and loss		**122**	(41)
Total comprehensive income for the year		**51,901**	3,933

Income and expenses for the year derive wholly from continuing operations. The notes on pages 92 to 155 form an integral part of these financial statements.

* See note 2.1.1 for details of the restatement of comparative information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

ASSETS	Note	2023 31 December £'000	Restated* 2022 31 December £'000	Restated* 2022 1 January £'000
Acquired value of in-force business	11	**709,595**	827,066	969,906
Deferred acquisition costs	12	**101,748**	88,706	57,732
Other intangible assets		**213**	408	585
Property, plant and equipment	13	**29,128**	31,162	27,215
Insurance contract assets	21	**125**	76	119
Reinsurance contract assets	21	**945,450**	912,612	1,090,894
Withholding tax asset	16	**94,805**	108,932	108,899
Deferred tax asset	24	**2,268**	1,740	362
Financial assets at fair value held to cover linked liabilities	14			
– Financial investments		**56,777,046**	53,326,951	58,716,701
– Cash and cash equivalents		**2,865,208**	3,574,416	3,253,320
Total financial assets at fair value held to cover linked liabilities		**59,642,254**	56,901,367	61,970,021
Other investments	15	**1,599,767**	1,580,304	2,042,434
Other receivables	17	**294,794**	317,551	287,887
Deposits		**26,886**	114,444	39,166
Assets held for sale		**–**	–	3,560
Cash and cash equivalents	18	**469,516**	467,274	452,187
Total assets		**63,916,549**	61,351,642	67,050,967
Liabilities				
Investment contract liabilities	20	**54,116,049**	51,872,159	57,047,819
Insurance contract liabilities	21	**7,833,335**	7,264,984	7,630,493
Reinsurance contract liabilities	21	**30,980**	28,722	44,813
Borrowings	23	**400,710**	400,710	404,690
Deferred tax liabilities	24	**42,166**	41,500	58,902
Deferred front end fees	22	**82,456**	76,328	61,124
Other payables	25	**320,981**	415,211	338,848
Total liabilities		**62,826,677**	60,099,614	65,586,689
Capital and reserves				
Called up share capital	26	**392,500**	392,500	392,500
Retained earnings		**400,339**	561,680	1,079,646
Other reserves		**(1,576)**	(5,834)	(78)
Restricted Tier 1 notes	26	**297,600**	297,600	–
Foreign currency translation reserve	27	**1,009**	6,082	(7,790)
Total equity		**1,089,872**	1,252,028	1,464,278
Total equity and liabilities		**63,916,549**	61,351,642	67,050,967

The financial statements on pages 88 to 155 were approved and authorised for issue by the Board of directors on 19 April 2024 and signed on its behalf by:

Ian Maidens
Director
19 APRIL 2024

The notes on pages 92 to 155 form an integral part of these financial statements.

* See note 2.1.1 for details of the restatement of comparative information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED	Called up share capital £'000	Retained earnings £'000	Restricted Tier 1 notes £'000	Other reserves* £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 January 2022 as previously reported	392,500	1,065,358	–	(78)	(7,790)	1,449,990
Impact of initial application of IFRS 17	–	14,288	–	–	–	14,288
Restated balance as at 1 January 2022	**392,500**	**1,079,646**	**–**	**(78)**	**(7,790)**	**1,464,278**
Loss for the year	–	(10,922)	–	–	–	(10,922)
Foreign currency translation movements in the year	–	–	–	–	13,872	13,872
Remeasurement on retirement benefit asset	–	6,780	–	–	–	6,780
Other comprehensive income	–	(41)	–	–	–	(41)
Dividends paid	–	(500,000)	–	–	–	(500,000)
Change in fair value of financial assets at fair value through OCI	–	–	–	(5,756)	–	(5,756)
Restricted Tier 1 notes issuance	–	–	297,600	–	–	297,600
Coupon paid on Restricted Tier 1 notes, net of tax relief	–	(13,783)	–	–	–	(13,783)
Balance as at 1 January 2023	**392,500**	**561,680**	**297,600**	**(5,834)**	**6,082**	**1,252,028**
Profit for the year	**–**	**54,064**	**–**	**–**	**–**	**54,064**
Foreign currency translation movements in the period	**–**	**–**	**–**	**–**	**(5,073)**	**(5,073)**
Remeasurement on retirement benefit asset	**–**	**(1,470)**	**–**	**–**	**–**	**(1,470)**
Change in fair value of financial assets at fair value through OCI	**–**	**–**	**–**	**3,989**	**–**	**3,989**
Dividends paid	**–**	**(200,000)**	**–**	**–**	**–**	**(200,000)**
Other comprehensive income	**–**	**122**	**–**	**269**	**–**	**391**
Coupon paid on Restricted Tier 1 notes, net of tax relief	**–**	**(14,057)**	**–**	**–**	**–**	**(14,057)**
Balance as at 31 December 2023	**392,500**	**400,339**	**297,600**	**(1,576)**	**1,009**	**1,089,872**

* Other reserves primarily consists of the accumulated movement on financial assets held at fair value through other comprehensive income.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023 £'000	Restated* 2022 £'000
Net cash flows from operating activities	28	**245,354**	249,782
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(1,147)**	(2,071)
Acquisition of intangible assets		**–**	(26)
Proceeds on disposals of property, plant and equipment		**–**	3,915
Net cash flows from investment activities		**(1,147)**	1,818
Cash flows from financing activities			
Net proceeds of issuance of Restricted Tier 1 Notes		**–**	297,600
Repayment of leases		**(3,839)**	(4,902)
Dividends paid		**(200,000)**	(500,000)
Finance costs paid (including on Restricted Tier 1 Notes)		**(35,397)**	(37,053)
Net cash flows from financing activities		**(239,236)**	(244,355)
Net increase in cash and cash equivalents		**4,971**	7,245
Cash and cash equivalents at the beginning of the year		**467,274**	452,187
Exchange differences on cash and cash equivalents		**(2,729)**	7,842
Cash and cash equivalents at the end of the year	18	**469,516**	467,274

The notes on pages 92 to 155 form an integral part of these financial statements. The cash and cash equivalents balance above does not include cash and cash equivalents as incorporated in financial assets at fair value held to cover linked liabilities of £2,865,208k (2022: £3,574,416k) as these balances are held on behalf of policyholders and do not form an integral part of the Group's cash management.

* See note 2.1.1 for details of the restatement of comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

The principal activity of Utmost Group plc (the "Company") is investment holding, and of its subsidiaries (together, the "Group") is the writing of long-term assurance business through the Utmost Wealth Solutions brand, the majority of which are classified as investment contracts because of the absence of significant insurance risk. These contracts are primarily written into the UK, Ireland, Italy, Middle East, Asia, LatAm and other European countries. The Group also writes employee benefits insurance business through the Utmost Corporate Solutions brand. Through Utmost Life and Pensions Limited ('ULP'), the Group is a UK consolidator focused upon the provision of life and pension policies (predominantly closed book of business) by pursuing its strategy of acquiring and consolidating businesses in the UK to deliver economies of scale to the benefit of policyholders and shareholders. The Company was incorporated as a company limited by shares in England and Wales and converted to a plc on 19 July 2021. The address of the Company's registered office is 5th Floor Saddlers House, 44 Gutter Lane, London, EC2V 6BR.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and the legal requirements of the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention, except for the following:

1) certain financial assets, financial liabilities (including derivative instruments) and investment property measured at fair value.
2) defined benefit pension plans – plan assets measured at fair value.
3) insurance and reinsurance contracts measured in accordance with the requirements of IFRS 17 "Insurance Contracts"

The consolidated and company financial statements are presented in Pounds Sterling.

2.1.1 CHANGE IN ACCOUNTING POLICIES

The IASB issued IFRS 17 in May 2017 (modified in 2020 and 2021) as a replacement to the previous insurance contracts standard IFRS 4 and applies to periods beginning on or after 1 January 2023. The standard has been applied retrospectively, subject to the transitional options provided for in the standard. The Group's accounting policies in respect of IFRS 17 are set out in note 2.13.

On adoption of IFRS 17 the Group have restated the comparative information, under the transitional provisions as set out in note 2.13, as presented in these financial statements. The originally presented and restated information for the comparative periods is presented in the tables below. Under the requirements of IFRS 4 the Group had previously recognised an asset for the Acquired Value of In-Force ("AVIF") policies which was measured as the difference between the fair value of acquired contracts and the value of the liability as measured in accordance with the Group's accounting policies under IFRS 4. Under the requirements of IFRS 17 the previously recognised AVIF no longer exists as the related cash flows are required to be included in measuring the fulfilment cash flows of the acquired contracts at the acquisition date. The elimination of balances under IFRS 4 and replacement with IFRS 17 balances leads to a corresponding increase in shareholders' equity which is primarily caused by the release of prudence margins under IFRS 4 offset by the elimination of AVIF on contracts in scope of IFRS 17.

The comparative information for the year ended 31 December 2022 has also been restated to reclassify certain contracts written by Utmost Life and Pensions Limited that were in error previously classified as investment contracts to be classified as insurance contracts. On the Consolidated Statement of Financial Position this has resulted in these contracts being reclassified from "Investment contract liabilities" to "Insurance contract liabilities". In the Consolidated Statement of Comprehensive Income this has resulted in a reclassification from "Changes in insurance contract liabilities" to "Changes in investment contract liabilities" and a decrease to the "Tax charge". In addition, reclassifications have been made between "Investment return" and "Other income" representing foreign exchange movements on shareholder investments. The net impact of this reclassification has had no impact on prior year profit or shareholders' equity. Reclassifications have also been made to the Cash Flow Statement with the "Repayment of leases" balance of £4,902k now reclassified from "Change in other working capital items" to "Cash flows from financing activities".

The impacts to the 2022 financial statements are presented in the tables below.

EXTRACT OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£'K	For the year ended 31 December 2022 as previously reported	IFRS 17 reclassification/ restatement	Prior period restatement	For the year ended 31 December 2022 restated
Net premiums earned	153,341	(153,341)	–	–
Insurance revenue	–	233,579	–	233,579
Fees and charges receivable	364,914	(29,566)	–	335,348
Other income	18,514	3,103	(11,300)	10,317
Investment return	(6,883,848)	56,971	11,300	(6,815,577)
Policyholder claims	(272,442)	272,442	–	–
Insurance service expenses	–	(214,888)	–	(214,888)
Net income/(expense) from reinsurance contracts held	–	(859)	–	(859)
Transfer from unallocated surplus	16,148	(16,148)	–	–
Changes in insurance contract liabilities	408,022	(376,105)	(31,917)	–
Finance income/(expenses) from insurance contracts issued	–	749,882	–	749,882
Finance income/(expenses) from reinsurance contracts held	–	(195,196)	–	(195,196)
Movement in investment contract liabilities	6,632,124	(403,640)	28,570	6,257,054
Other operating expenses	(234,938)	36,873	–	(198,065)
Amortisation of acquired value of in-force business	(156,625)	14,664	–	(141,961)
Tax charge	(4,339)	(799)	786	(4,352)
Profit/(loss) for the year after tax	14,668	(23,029)	(2,561)	(10,922)

EXTRACT OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

£'K	As at 31 December 2022 as previously reported	IFRS 17 reclassification/ restatement	Prior period restatement	As at 31 December 2022 restated
Acquired value of in-force business	939,844	(112,778)	–	827,066
Deferred acquisition costs	89,215	(509)	–	88,706
Insurance contract assets	–	76	–	76
Reinsurance contract assets	976,363	(63,751)	–	912,612
Deferred tax asset	1,895	(155)	–	1,740
Financial assets at fair value held to cover linked liabilities	56,916,028	(14,661)	–	56,901,367
Other investments	1,580,298	6	–	1,580,304
Other receivables	334,172	(16,621)	–	317,551
Investment contract liabilities	54,960,666	(3,059,937)	(28,570)	51,872,159
Insurance contract liabilities	4,185,894	3,047,173	31,917	7,264,984
Reinsurance contract liabilities	39,515	(10,793)	–	28,722
Unallocated surplus	92,499	(92,499)	–	–
Deferred tax liabilities	48,004	(5,718)	(786)	41,500
Deferred front end fees	77,064	(736)	–	76,328
Reinsurance payables	88,211	(88,211)	–	–
Payables related to direct insurance contracts	20,019	(20,019)	–	–
Other payables	384,410	30,801	–	415,211
Foreign currency translation reserve	5,791	291	–	6,082

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

£'K	As at 1 January 2022 as previously reported	IFRS 17 reclassification/ restatement	As at 1 January 2022 restated
Acquired value of in-force business	1,096,051	(126,145)	969,906
Deferred acquisition costs	58,386	(654)	57,732
Insurance contract assets	–	119	119
Reinsurance contract assets	1,188,038	(97,144)	1,090,894
Deferred tax asset	2,580	(2,218)	362
Financial assets at fair value held to cover linked liabilities	61,970,352	(331)	61,970,021
Other investments	2,042,435	(1)	2,042,434
Other receivables	314,477	(26,590)	287,887
Investment contract liabilities	59,983,184	(2,935,365)	57,047,819
Insurance contract liabilities	4,738,424	2,892,069	7,630,493
Reinsurance contract liabilities	57,895	(13,082)	44,813
Unallocated surplus	107,332	(107,332)	–
Deferred tax liabilities	57,774	1,128	58,902
Deferred front end fees	62,070	(946)	61,124
Reinsurance payables	114,664	(114,664)	–
Payables related to direct insurance contracts	28,619	(28,619)	–
Other payables	299,287	39,561	338,848

EXTRACT OF THE CONSOLIDATED STATEMENT OF CASHFLOWS

	For the year ended 31 December 2022 as previously reported	IFRS 17 reclassification/ restatement	For the year ended 31 December 2022 restated
Movement in investment contract and insurance contract liabilities, net of policyholder claims	(5,392,655)	(1,076,234)	(6,468,889)
Net movement in financial assets	5,442,165	1,068,756	6,510,921
Change in other working capital items	17,557	35,751	53,308
Amortisation of AVIF	156,625	(14,664)	141,961

Amendments to other accounting standards
The Group has adopted the following amendments to accounting standards which became effective for the annual reporting period beginning on 1 January 2023. The amendments do not have a significant impact on the Group's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules.

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

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

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

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

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

2.2 Foreign currency translation

2.2.1 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.2.2 FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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

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

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised as an intangible asset in the Statement of Financial Position and is held at cost less impairment. Goodwill has an indefinite useful life and is not amortised.

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

The present value of future profits on a portfolio of investment contracts, representing the value of in-force policies, acquired directly or through the purchase of a subsidiary, is recognised as an acquired value of in-force business ("AVIF") intangible asset on acquisition. AVIF relating to investment contracts is recognised at its fair value which is set equal to the present value of the best estimate cash flows adjusted to reflect a risk margin which has been calculated using a 3% cost of capital. Key estimates used in the calculation of the best estimate cash flows include persistency and expense assumptions. Persistency assumptions are set with reference to historic data and expense assumptions are set using the run-rate expenses adjusted for foreseeable changes to policy accounts and the expected rate of inflation. AVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the value of in-force business acquired and the expected depletion in its value.

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

2.4 Intangible fixed assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

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

2.5 Property, plant and equipment

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

Computer and office equipment	20% – 50%
Fixtures and fittings	20% – 33%
Motor vehicles	15% – 35%

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

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

The non-owner occupied portion of the Group's property in the Isle of Man is classified as investment property and carried at fair value within "Property, plant and equipment" in the Statement of Financial Position. Changes in fair value are presented in the Statement of Comprehensive Income in "Other income".

2.6 Financial assets and financial liabilities

2.6.1 CLASSIFICATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.6.2 RECOGNITION AND DERECOGNITION

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

2.6.3 FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

The fair value of quoted investments in an active market is the bid price, for investments in unit trusts and other pooled funds it is the bid price quoted on the last day of the accounting period on which the investments in such funds could be redeemed. If the market for a financial investment is not active, the fair value is determined by using valuation techniques. For these investments, the fair value is established by using quotations from independent third parties, such as brokers or pricing services or by using internally developed pricing models. Priority is given to publicly available prices, where available, but overall the source of pricing and valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Valuation techniques used include the use of recent arm's length transactions and reference to the current fair value of other instruments that are substantially the same. Financial assets where the fair value is derived using unobservable level 3 inputs are principally valued using valuations obtained from external parties which are reviewed internally to ensure appropriateness. The majority of these investments are in suspended funds or funds in liquidation for which any changes in valuation are derived from the realisation of the underlying assets.

2.6.4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

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

2.6.5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT AMORTISED COST

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

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

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

2.7 Investment in subsidiary undertakings

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are measured at cost less impairment. Investments are reviewed annually to assess whether there are indicators of impairment. Where indicators of impairment exist, the carrying value of the investment in the subsidiary is compared against its recoverable amount, which is the higher of the fair value less cost to sell or the value-in-use, with any resulting impairment recorded in the statement of comprehensive income

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

2.8 Impairments

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

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

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

2.9 Investment return

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

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

Dividends receivable from investments held within unit-linked funds managed by the Group, are accrued on the ex-dividend date. All other dividends, including distributions from collective investments, are accounted for when the income can be reliably measured. The attributable investment income and net gains or loss on investments due or payable under the modified coinsurance account (see note 2.20) are due or payable simultaneously with the underlying contracts reassured which are recognised at the same point as for the Utmost International Isle of Man Limited contract.

2.10 Other income

Other income consists of interest income on shareholder cash and deposits. Interest income on shareholder cash and deposits is measured at amortised cost using the effective interest method.

2.11 Product classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Insurance risk is significant if there is a scenario that has commercial substance in which, on a present value basis, there is a possibility that an issuer could:
– suffer a loss caused by the insured event, and
– pay significant additional amounts beyond what would be paid if the insured event had not occurred.

To have commercial substance, the loss caused by the occurrence of the insured event has to have a discernible effect on the economics of the transaction.

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

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

The Group uses different measurement approaches, depending on the type of contracts, as follows:

SEGMENT	CONTRACTS ISSUED	PRODUCT CLASSIFICATION	MEASUREMENT MODEL (SEE 2.13)
Contracts issued			
UWS	Individual unit-linked contracts with material insurance benefits	Insurance Contracts with Direct Participation Features	VFA
	Non-linked whole of life contracts	Insurance Contracts	GMM
	Individual unit-linked contracts with investments linked to external with-profits funds	Insurance Contracts with Direct Participation Features	VFA
UCS	Life and disability insurance benefits	Insurance Contracts	GMM
	Non-linked term life and health contracts	Insurance Contracts	GMM
ULP	With-profits with insurance element	Insurance Contracts with Direct Participation Features	VFA
ULP	With-profits with no insurance element	Investment contracts with Discretionary Participation Features (DPF)	VFA
Reinsurance contracts held			
UWS	With-profits fund linked reinsurance	Reinsurance contract held	GMM
UCS	Life and disability benefits quota-share reinsurance	Reinsurance contract held	GMM
UCS	Other non-linked	Reinsurance contracts held	GMM

2.12 Liabilities under investment contracts

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

Premiums received and withdrawals from investment contracts are accounted for directly in the Statement of Financial Position as adjustments to the investment contract liability when the units are created or redeemed. Investment income and changes in fair value arising from the investment contract assets are included in "Investment return" and "Changes in investment contract liabilities" respectively in the Statement of Comprehensive Income.

Benefits are deducted from Investment Contract Liabilities and transferred to amounts due to investment contract holders on the basis of notifications received, when the benefit falls due for payment or, on the earlier of the date when paid or when the contract ceases to be included within those liabilities.

The Group earns revenue on investment management services provided to holders of investment contracts, as detailed in note 2.17. Revenue is recognised as the services are performed.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

SCOPE

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features ("DPF"). When identifying contracts in the scope of IFRS 17 the Group have assessed:

- the significance of any insurance risk accepted from the policyholder and for reinsurance contracts the insurance risk ceded to a reinsurer;
- whether a number of contracts needs to be treated as a single contract; and
- whether investment components and goods and services are distinct and therefore have to be separated and accounted for under another accounting standard.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9. Some investment contracts without discretionary participation features issued by the Group fall under this category.

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items and whether a substantial proportion of any change in the amounts expected to be paid to the policyholder vary with the change in fair value of the underlying items.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

MEASUREMENT MODELS

The General Measurement Model ("GMM") is the general accounting approach for the measurement of insurance and reinsurance contracts under IFRS 17. The GMM is formed of the following building blocks each of which are detailed further below:

- Fulfilment Cash Flows ("FCF") comprising:
  - the Present Value of Future Cash Flows ("PVFCF") and
  - the Risk Adjustment ("RA")
- Contractual Service Margin ("CSM")

Insurance contracts with Direct Participation Features, investments contracts with DPF and insurance contracts with DPF (a contract with DPF and the transfer of significant insurance risk to the Group are classified as an insurance contract with DPF) are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Group's share of the fair value of the underlying items, which is based on policy fees and management charges (withdrawn from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less other cash flows that do not vary based on the returns on underlying items. The measurement approach for insurance and investment contracts (excluding reinsurance contracts) with DPF and insurance contracts with Direct Participation Features is referred to as the Variable Fee Approach, ("VFA"). The VFA modifies the GMM to reflect that a significant portion of the consideration an entity receives for the contracts is a variable fee.

LEVEL OF AGGREGATION

Insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. First insurance contracts are grouped into portfolios such that all contracts in the group are managed together and share the same risk characteristics. Portfolios of insurance contracts are then further sub-divided into groups of insurance contracts according to the profitability characteristics of the contracts and the financial year in which they were issued.

The Group judges that division of products into portfolios according to product type, currency and reinsurance arrangements meets the requirements of grouping products that are managed together and give rise to similar risks.

On initial recognition, the Group divides the contracts by profitability characteristics as follows: whether the contracts have no significant possibility of becoming onerous, are onerous and all other contracts. Insurance contracts that have a CSM at initial recognition greater than the risk adjustment are judged to have no significant possibility of becoming onerous. Insurance contracts where at initial recognition the total of the fulfilment cash flows, any allocated acquisition cash flows and any cash flows arising from the contract at that date is a net outflow are recognised as onerous. All other contracts are grouped together. Reinsurance contracts are judged to be distinct and are not grouped together.

CONTRACT BOUNDARIES

The Group uses the concept of contract boundaries to determine the cash flows that should be considered in the measurement of groups of insurance contracts, reinsurance contracts and investment contracts with DPF. This assessment is reviewed for new contracts issued each reporting period. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services.

Cash flows outside the insurance contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Group to deliver cash at a present or future date. For reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

INSURANCE ACQUISITION CASH FLOWS

The Group includes the following acquisition cash flows within the contract boundary that arise from selling, underwriting and starting a group of insurance contracts or investment contracts with DPF and that are:

a. costs directly attributable to individual contracts and groups of contracts; and
b. costs directly attributable to the portfolio of insurance contracts or investment contracts with DPF to which the group belongs, which are allocated on a systematic and rational basis to measure the group of insurance contracts or investment contracts with DPF.

Insurance acquisition cash flows are initially deferred on the balance sheet and then allocated against groups of insurance contracts to which they are directly attributable. Insurance acquisition cash flows are included within the measurement of the CSM and recognised in the income statement over the period which services are provided to the policyholder. Insurance acquisition cash flow assets are assessed for impairment where there are facts or circumstances that may indicate impairment. The Group uses policyholder data and assumptions to identify these facts or circumstances.

RECOGNITION AND DERECOGNITION

Groups of insurance contracts and investment contracts with DPF issued are initially recognised from the earliest of the following:

– the beginning of the coverage period; or
– the date when the first payment from the policyholder is due or actually received, if there is no due date; or
– where a group of contracts is onerous, from when the group becomes onerous.

Insurance contracts and investment contracts with DPF acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of:

– the beginning of the coverage period of the group; or
– the initial recognition of any underlying insurance contract.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the earlier of:

– beginning of the coverage period of that group; or
– the date the entity recognises an onerous group of underlying insurance contracts if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups of insurance contracts and measured under IFRS 17. The start and end periods of each insurance group are selected to coincide with the Group's reporting periods. Composition of the insurance groups is not reassessed in subsequent periods.

ACCOUNTING FOR CONTRACT MODIFICATION AND DERECOGNITION

An insurance contract is derecognised when it is:

– extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled); or
– the contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparty or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract, as set out in the IFRS 17 standard, are met. The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
   i. is not in scope of IFRS 17;
   ii. results in different separable components;
   iii. results in a different contract boundary; or
   iv. belongs to a different group of contracts;
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa.

When an insurance contract is derecognised from within a group of insurance contracts, the Group adjusts the FCF to eliminate the PVFCF and RA relating to the rights and obligations removed from the group and adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group), depending on the reason for the derecognition.

MEASUREMENT

(I) FULFILMENT CASH FLOWS

The FCF are an explicit, unbiased and probability-weighted estimate (i.e. expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

The estimates of future cash flows:

a. are based on a probability weighted mean of the full range of possible outcomes;
b. are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

Where the effect of future variations in experience on future cash flows are symmetric a single best estimate is assumed to represent the full range of possible outcomes. In a small number of cases, where the effect of future experience variances is not symmetric, then the best estimate is adjusted by probability weighting the effect on cash flows of a range of possible outcomes.

Underlying cash flows, where these arise in multiple currencies, are converted into a single functional currency at the appropriate prevailing foreign exchange rates. In order to discount the FCF the Group uses the bottom-up approach to determine in each applicable currency, a discount rate curve by applying a liquidity adjustment, where appropriate, to a risk-free yield. The risk-free yield curve is the published yield curve for the relevant currency.

The assumptions used to calculate the FCF on reinsurance contract assets are generally consistent with those used to calculate the FCF of the Insurance Contracts underlying the Reinsurance Contracts Held. Differences in assumptions relate to items that differ between the underlying Insurance Contracts and reinsurance contract assets, for example reinsurer default risk, reinsurance servicing expenses and liquidity risk. The reinsurance contract assets are modified for the risk of non-performance by the reinsurer. The impact is applied by adjusting the FCF discount rates. This adjustment is not made to reinsurance contracts that are liabilities.

An investment component is the amount that an insurance contract or investment contract with DPF requires the Group to repay to a policyholder even if an insured event does not occur. The Group has not separated any investment components from insurance contracts or investment contracts with DPF as the investment components are not considered to be distinct from the underlying contracts. Non-distinct investment components include the unit fund on unit-linked products and with-profit funds for with-profit products. Movements in investment components will not be included in insurance revenue and insurance service expenses under IFRS 17.

Risk Adjustment

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates and is included in fulfilment cash flows. The risk adjustment is determined as the difference between the fulfilment cash flows under a single, insurance portfolio specific, stress scenario and the base scenario. The risk adjustment is calculated without consideration for any reinsurance in place and represents the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Group fulfils insurance contracts.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group uses consistent assumptions to measure the estimates of the PVFCF for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts. The risk adjustment for reinsurance is determined in the same way as for insurance business but with the stress scenario being determined from a scenario relevant to the underlying insurance portfolio.

The risk adjustment for reinsurance represents the risk adjustment transferred to the reinsurer and as such will not exceed the risk adjustment on the underlying insurance contract.

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

a. the initial recognition of the FCF; and
b. cash flows arising from the contracts in the group at that date.
c. the derecognition at the date of initial recognition of:
   i. any asset for insurance acquisition cash flows; and
   ii. any other asset or liability previously recognised for cash flows related to the group of contracts

For a group of insurance contracts or investment contracts with DPF issued where the CSM would be negative, this means the group of insurance contracts or investment contracts with DPF issued is onerous. Groups of onerous contracts are recognised when the group becomes onerous. A loss from onerous insurance contracts or investment contracts with DPF is recognised in the Statement of Comprehensive Income immediately with no CSM recognised on the Statement of Financial Position.

For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

For insurance contracts acquired in a portfolio transfer or business combination, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

a. the initial recognition of the FCF; and
b. a proxy for premiums received in the portfolio transfer or business combination.

The premium proxy is either the fair value of assets transferred minus any consideration paid or the fair value of liabilities received in insurance portfolio transfers or business combinations respectively. To the extent that amounts cannot be directly attributed to the acquired contracts the premium proxy is allocated to acquired insurance groups using weightings based on risk.

At initial recognition contracts are assessed as to whether they are onerous, profitable or initially profitable but have the potential to become unprofitable and are allocated to different groups depending upon this assessment. The approach taken is to compare at initial recognition, for each insurance contract, the CSM with the Risk Adjustment. If the CSM is greater than the Risk Adjustment the insurance contract is classified as profitable, if the CSM is 0 the contract is classified as onerous. All other contracts are classified as having the potential to become onerous.

SUBSEQUENT MEASUREMENT

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

a. the liability for remaining coverage ("LRC"), comprising:
   i. the FCF related to future service allocated to the group at that date; and
   ii. the CSM of the group at that date; and
b. the liability for incurred claims ("LIC"), comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

a. the remaining coverage, comprising:
   i. the FCF related to future service allocated to the group at that date; and
   ii. the CSM of the group at that date; and
b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

CHANGES IN FULFILMENT CASH FLOWS

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a. changes that relate to current or past service are recognised in profit or loss; and
b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
d. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments a., b. and d. are measured using the locked-in discount rates as described in the section on interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereon;
b. changes in the FCF relating to the LIC; and
c. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts measured under the VFA, where the value of the variable fee is material, the following adjustments relate to future service and thus adjust the CSM:

a. changes in the Group's share of the fair value of the underlying items; and
b. changes in the FCF that do not vary based on the returns of underlying items:
   i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
   ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
   iii. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
   iv. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
   v. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments ii.-v. are measured using the current discount rates.
For insurance contracts measured under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:
a. changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
b. changes in the FCF that do not vary based on the returns of underlying items:
   i. changes in the FCF relating to the LIC; and
   ii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

CHANGES TO THE CONTRACTUAL SERVICE MARGIN
For insurance contracts issued, at the end of each annual reporting period the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:
a. The effect of any new contracts added to the group.
b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
d. The effect of any currency exchange differences.
e. The amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

INTEREST ACCRETION ON THE CSM
Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates).

RELEASE OF THE CSM TO PROFIT OR LOSS
The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

For contracts issued, the Group determines the proportion of coverage provided in the period for the purpose of CSM recognition as follows:
a. Coverage units in the period, divided by
b. The sum of:
   i. coverage units in the period, and
   ii. end of period coverage units total forecast.
c. Where all amounts included in this calculation are undiscounted.

The coverage units used by the Group are as follows:

BUSINESS TYPE	COVERAGE UNITS (PROXY FOR "QUANTITY OF BENEFITS").
Non-linked	Sum at Risk
Life and disability	Earned premiums
Unit-linked business	Higher of Unit reserves and sum assured
Unitised with-profits	Unit Fund
Annuities	Annuities paid in period (for deferred annuities with a death benefit provide, 20% of initial expected annuity payments are assumed to arise in the deferral period)

ONEROUS CONTRACTS – LOSS COMPONENTS
When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on amortising the loss component in line with the amortisation of the CSM (i.e. based on coverage units remaining).

The Group allocates the amortisation of the loss component to insurance revenue with an equivalent offset in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

AMOUNTS RECOGNISED IN COMPREHENSIVE INCOME
INSURANCE REVENUE
As the Group provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

Insurance revenue comprises the following:
Amounts relating to the changes in the LRC:
a. insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
   – amounts related to the loss component;
   – repayments of investment components; and
   – amounts of transaction-based taxes collected in a fiduciary capacity.
b. changes in the risk adjustment for non-financial risk, excluding:
   – changes included in insurance finance income (expenses);
   – changes that relate to future coverage (which adjust the CSM); and
   – amounts allocated to the loss component;
c. amounts of the CSM recognised in profit or loss for the services provided in the period; and
d. experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

INSURANCE SERVICE EXPENSES

Insurance service expenses include the following:
a. incurred claims and benefits excluding investment components;
b. other incurred directly attributable insurance service expenses;
c. changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
d. changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).
e. allocation of non-directly attributable expenses.

Expenses that do not relate to contracts in the scope of IFRS 17 will be presented in other operating expenses under the relevant accounting standard.

INSURANCE SERVICE RESULT FROM REINSURANCE CONTRACTS HELD

NET INCOME (EXPENSES) FROM REINSURANCE CONTRACTS HELD

The Group presents the financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:
a. reinsurance expenses;
b. incurred claims recovery;
c. other incurred directly attributable insurance service expenses;
d. effect of changes in risk of reinsurer non-performance;
e. changes that relate to future service (i.e. changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts); and
f. changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

Reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:
a. insurance claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;
b. changes in the risk adjustment for non-financial risk, excluding:
  – changes included in finance income (expenses) from reinsurance contracts held; and
  – changes that relate to future coverage (which adjust the CSM);
c. amounts of the CSM recognised in profit or loss for the services received in the period; and
d. ceded premium experience adjustments relating to past and current service.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

INSURANCE FINANCE INCOME OR EXPENSES

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:
a. interest accreted on the FCF and the CSM;
b. the effect of changes in interest rates and other financial assumptions; and
c. foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the VFA, the main amounts within insurance finance income or expenses are:
a. changes in the fair value of underlying items, excluding the shareholders' share of underlying items;
b. interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and
c. the effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

For the contracts measured under the GMM and the VFA, the Group includes all insurance finance income or expenses for the period in profit or loss.

TRANSITION

The transition balance sheet has been prepared using the Fair Value Approach for all in-scope business as it is impracticable to use the Fully Retrospective Approach because it is not possible to determine a Risk Adjustment at historic reporting dates.

The Group had no basis upon which to determine the Risk Adjustment since it had no policy from which a reliable margin for taking on non-financial risk associated with the contracts in scope of IFRS 17 could be determined at the transition date and there was no explicit historical view of the compensation required for non-financial risk on acquired insurance contracts. Consideration was taken to deriving an approach that used margins from historical acquisitions however as the majority of the acquired policies have been investment contracts, with significant reinsurance on insurance contracts and investment contracts with DPF, it was not possible to accurately reflect the view of insurance risk at historic reporting dates.

Under the Fair Value Approach, the CSM or loss component at the transition date was calculated as the difference between the fair value of a group of contracts at that date and the FCF at that date. The Group measured the fair value of a group of contracts as the Solvency II best estimate liability of cash flows within the IFRS 17 Contract Boundary, calibrated using a market value adjustment to give a fair value calculated as 90% of:
– Solvency II best estimate experience assumptions plus best estimates for assumptions not required under Solvency II, plus
– a 50% share of the insurance company's Solvency II Risk Margin. The Solvency II Risk Margin is allocated to Groups of Insurance Contracts ("GICs") (the level of aggregation of contracts at which CSMs are determined) based on the relative contribution of those cohorts to the aggregated results.

2.14 Cash and cash equivalents

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

2.15 Other receivables

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

2.16 Deposits

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

2.17 Fees and charges and deferred front end fees

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

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

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

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

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

Deferred acquisition costs are amortised over the expected remaining duration of the underlying policyholder contract. The amortisation of deferred acquisition costs is charged to the Statement of Comprehensive Income within the "Other operating expenses" line.

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 impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the Statement of Comprehensive Income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

2.20 Modified Coinsurance Account
In 2013 the Group entered into an agreement with AXA Hong Kong (AXA China Region Insurance (Bermuda) Limited ("CRIB")). Under this agreement the AXA Hong Kong (ACR) book of business migrated from traditional reinsurance to a modified coinsurance ("ModCo") arrangement. The main effect of the ModCo arrangement is that the statutory reserve on the ceded business is the obligation of and held by the ceding company (CRIB) rather than the Group and as such the Modco does not result in the transfer of significant insurance risk. The Modco is therefore a financial asset, accounted for under the requirements of IFRS 9, held at FVTPL backing the investment contract liabilities on unit-linked policies written with ACR and ALS.

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

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

2.21 Finance costs
Finance costs on the Group's external debt facilities and the lease liabilities are recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest method.

2.22 Other expenses
All other expenses, not arising on contracts in the scope of IFRS 17, including investment management expenses, are accounted for on an accruals basis.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.24 Taxation (current and deferred)

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

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

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

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

2.25 Provisions and contingent liabilities

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

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

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

2.26 Leases

Where the Group acts as a lessee it recognises a right of use asset and a corresponding lease liability, representing the obligation to make lease payments at the lease commencement date.

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

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

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

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

2.27 Share Capital, Share Premium, Restricted Tier 1 notes and dividends

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

The Restricted Tier 1 notes meet the definition of equity and accordingly are shown as a separate category within equity at the proceeds of issue. The coupons on the Restricted Tier 1 notes are recognised as distributions on the date of payment and are charged directly to the Consolidated Statement of Changes in Equity.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3.1 Recoverability of acquired value of in-force business

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

3.2 IFRS 17 fair value on transition

The transition balance sheet has been prepared using the Fair Value Approach for all in-scope business. The Group measured the fair value of a group of contracts as set out in note 2.13. The determination of the fair value on transition is a judgmental area and unobservable inputs have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the groups of insurance contracts at the transition date. Unobservable inputs are a critical estimate and reflect the assumptions that management consider market participants would use in pricing the group of insurance contracts.

As detailed in note 2.13 the fair value on transition was calculated using a valuation multiple of 90%. The impact to the fair value on transition of a 10% change in this multiple is approximately £30m.

3.3 Insurance contract liabilities

The calculation of insurance contract liabilities is a critical estimate, based on the fact that although the process for the establishment of insurance liabilities follows specified rules and guidelines, the reserves that result from the process are the subject of estimations. As a consequence, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide appropriate levels of contract liabilities taking known facts and experiences into account but, nevertheless, such liabilities remain uncertain. Principal assumptions used in the calculation of insurance contract liabilities include those in respect of expenses and longevity. The calculation methodology is discussed further in accounting policy 2.13, and sensitivity analysis in respect of the Group's insurance business is provided in note 29.

4 SUBSIDIARIES

The consolidated financial statements include the following subsidiaries as at 31 December 2023 (the subsidiaries as at 31 December 2022 are consistent with those as at 31 December 2023 with the exception of Harcourt Life Corporation dac which was dissolved in 2023):

SUBSIDIARY	DATE OF ACQUISITION	REGISTERED ADDRESS/ BUSINESS ADDRESS	NATURE OF BUSINESS	SHARES HELD
Utmost International Group Holdings Limited	15 Jan 16 (incorporation date)	5th Floor Saddlers House 44 Gutter Lane London	Investment holding	100% of issued share capital
Utmost International Distribution Services Limited	27 May 22 (incorporation date)	5th Floor Saddlers House 44 Gutter Lane London	Management and administration services	100% of issued share capital
Utmost Holdings Isle of Man Limited	13 Apr 16 (incorporation date)	King Edward Bay House Onchan, Isle of Man	Investment holding	100% of issued share capital
Utmost Limited	21 Oct 16	King Edward Bay House Onchan, Isle of Man	Writing long-term assurance business	100% of issued share capital
Utmost International Isle of Man Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Writing long-term assurance business	100% of issued share capital
Utmost International Trustee Solutions Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Administration services	100% of issued share capital
Utmost International Business Services Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Administration services	100% of issued share capital
Utmost International Holdings Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Investment holding	100% of issued share capital
Utmost Services Limited	21 Oct 16	King Edward Bay House Onchan, Isle of Man	Management and administration services	100% of issued share capital
Utmost Trustee Solutions Limited	21 Oct 16	King Edward Bay House Onchan, Isle of Man	Management and administration services	100% of issued share capital
Utmost Administration Limited	21 Oct 16	King Edward Bay House Onchan, Isle of Man	Administration services	100% of issued share capital
Utmost Partnerships Limited	21 Oct 16	King Edward Bay House Onchan, Isle of Man	Dormant company	100% of issued share capital
Douglas Bay Property Limited	30 Jan 23	King Edward Bay House Onchan, Isle of Man	Property holding	100% of issued share capital
UIG Holdings (No 1) Ltd.	13 Jun 18	5th Floor Saddlers House 44 Gutter Lane London	Investment holding	100% of issued share capital
Utmost Holdings Ireland Limited	13 Jun 18	Ashford House Tara Street Dublin 2	Investment holding	100% of issued share capital
Utmost PanEurope DAC	19 Jun 18	Navan Business Park Athlumney, Navan, Co.Meath Ireland	Writing long-term assurance business	100% of issued share capital
Athlumney Kappa (Ireland) DAC	1 Dec 21	Ashford House Tara Street Dublin 2	Dormant company	100% of issued share capital
Utmost Services Ireland Limited	13 Jun 18	Ashford House Tara Street Dublin 2	Management and administration services	100% of issued share capital
Utmost Bermuda Limited	13 Jun 18	Clarendon House 2 Church Street, Hamilton Bermuda	Writing long-term assurance business	100% of issued share capital
Utmost Worldwide Limited	28 Feb 19	Utmost House Hirzel Street St Peter Port Guernsey	Writing long term assurance business	100% of issued share capital

4 SUBSIDIARIES CONTINUED

SUBSIDIARY	DATE OF ACQUISITION	REGISTERED ADDRESS/ BUSINESS ADDRESS	NATURE OF BUSINESS	SHARES HELD
Utmost Switzerland Gmbh	11 Oct 21	Zweigniederlassung Schweiz, Adliswil, Soodmattenstrasse 4, 8134 Adliswil Zurich Switzerland	Service Company	100% of issued share capital
Dynasty ICC Limited	18 Nov 21	Utmost House Hirzel Street St Peter Port Guernsey	Service Company	100% of issued share capital
Utmost Portfolio Management Limited	28 Feb 19	Utmost House Hirzel Street St Peter Port Guernsey	Provision of financial services	100% of issued share capital
Utmost International Middle East Limited	8 Apr 19 (incorporation date)	Level 14, Central Park Offices, Dubai International Financial Centre, UAE	Provision of financial services	100% of issued share capital
Utmost Worldwide Employee Pension Scheme Limited	5 Sep 19	Albert House South Esplanade St Peter Port, Guernsey	Group pension scheme	100% of issued share capital
Utmost UK Group Holdings Limited	22 Jan 18 (incorporation date)	5th Floor Saddlers House 44 Gutter Lane London	Investment holding	100% of issued share capital
Utmost Life and Pension Holdings Limited	22 Mar 18	Walton Street, Aylesbury, HP21 7QW	Investment holding	100% of issued share capital
Utmost Life and Pensions Limited	22 Mar 18	Walton Street, Aylesbury, HP21 7QW	Life insurance	100% of issued share capital
Utmost Life and Pensions Services Limited	22 Mar 18	Walton Street, Aylesbury, HP21 7QW	Service Company	100% of issued share capital
The Equitable Life Assurance Society	1 Jan 20	Walton Street, Aylesbury, HP21 7QW	Life insurance	100% of issued share capital
Reliance Unit Managers Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Management of wind-up trust	100% of issued share capital
RMIS (RTW) Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Former insurance company	100% of issued share capital
Reliance Pension Scheme Trustee Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Trustee of defined benefit pension scheme	100% of issued share capital

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

SUBSIDIARY	DATE OF ACQUISITION	REGISTERED ADDRESS/ BUSINESS ADDRESS	NATURE OF BUSINESS	SHARES HELD
Rosco Bahamas Ltd.	30 Nov 21	Amicorp Bahamas Management Limited, Shirley & Charlotte Streets, PO Box N-4865	Private company holding	100% of issued share capital
Atwood Development S.A.	30 Nov 21	2nd Floor, MMG Building, East 53rd Street, Marbella, Panama City	Private company holding	100% of issued share capital

SUBSIDIARY	DATE OF ACQUISITION	REGISTERED ADDRESS/ BUSINESS ADDRESS	NATURE OF BUSINESS	SHARES HELD
Accord Brook S.A.	30 Nov 21	2nd Floor, Humboldt Tower, East 53rd Street, Urb., Marbella, Panama City	Private company holding	100% of issued share capital
Isidro Mayo Corp.	30 Nov 21	2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Wickhams Cay II, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Libby Ventures Ltd	30 Nov 21	Citco BVI Limited, Flemming House, PO Box 662, Wickhams Cay, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Volenda Finance Inc.	30 Nov 21	Level 1, Palm Grove House, Wickham's Cay I, Road Town, Tortola	Private company holding	100% of issued share capital
Pacific Commercial Services Ltd DCAF Ltd	30 Nov 21	MMG Trust (BVI) Corp, Morgan and Morgan Building, Pasea Estate, Road Town, Tortola	Private company holding	100% of issued share capital
Akito Inc.	30 Nov 21	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Avanna Global Corp.	30 Nov 21	Palm Chambers, 197 Main Street, PO Box 3174, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Elegant Inn Inc	30 Nov 21	Tortola Pier Park, Building 1, Second Floor, Wickhams Cay 1, Road Town, Tortola	Private company holding	100% of issued share capital
Seaview Holdings Investment Limited	30 Nov 21	Trinity Chambers, PO Box 4301, Road Town, Tortola	Private company holding	100% of issued share capital
Bliss Spring Limited Epoch Vision Ventures Limited Grandeur Valley Limited Sitori Trading Limited	30 Nov 21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Neon Bay Ltd	30 Nov 21	Portcullis Trustnet (BVI) Ltd, Portcullis Trustnet Chambers, Vistra Corporate Services Centre, PO Box 3444 Road Town, Tortola	Private company holding	100% of issued share capital
Michael Churm Holdings Limited	30 Nov 21	Amathountos, 29 Myria Court, Flat 11 4532, Lemesos	Private company holding	100% of issued share capital
Reverades Holding Ltd Rubyfield Investments Ltd	30 Nov 21	Suite 3, Global Village, Jivans Complex, Mont Fleuri, Mahe	Private company holding	100% of issued share capital
Blain Investments Limited	30 Nov 21	Trident Trust Company (BVI) Ltd, Trident Chambers, PO Box 146, Road Town, Tortola, BVI	Private company holding	100% of issued share capital
Evansyr Limited	30 Nov 21	Trust Services (Nevis) Ltd, PO Box 853, Suites 5&6 Horsford's Business Centre, Long Point Road, Charlestown, Nevis, West Indies	Private company holding	100% of issued share capital
Global Reliant Group Limited	30 Nov 21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital

4 SUBSIDIARIES CONTINUED

SUBSIDIARY	DATE OF ACQUISITION	REGISTERED ADDRESS/ BUSINESS ADDRESS	NATURE OF BUSINESS	SHARES HELD
Grimar 2021 Ltd	30 Nov 21	Suites 5&6, Horsford's Business Centre, Long Point Road, Charlestown, Nevis	Private company holding	100% of issued share capital
South Seas Capital Corp	30 Nov 21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
VST International Ltd	30 Nov 21	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Chodo Limited	31 Dec 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Sun Global Investments Limited	31 Dec 22	Trident Chambers, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Highland River Limited	31 Dec 22	Vistra Corporate Services Centre, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Lumos Industrial Company Limited	31 Dec 22	Clarence Thomas Building, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Nextgen Assets Limited	31 Dec 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Planinvest Inversiones Limited	31 Dec 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Regina Holding Group Inc	31 Dec 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
San Gabriel International Ltd	31 Dec 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
San Saturio Investments Inc	31 Dec 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
B + A Development Ltd	5 Aug 22	Unit 8, 3/F, Qwormar Trading Complex, Blackbourne Road, Port Purcell, Road Town, Tortola, BVI, VG1110	Private company holding	100% of issued share capital
Buffalo Profit International LTD	13 Jan 23	Trident Chambers, PO Box 146, Road Town, Tortola, VG1110, BVI	Private company holding	100% of issued share capital
Castle Field Enterprises Corp	26 Jul 22	Aramo Trust Co. Ltd, PO Box 659, Road Town, Tortola, BVI	Private company holding	100% of issued share capital
Gumavien 82 LTD	12 Jul 23	Palm Grove House, Road Town, Tortola, PO Box 438, BVI	Private company holding	100% of issued share capital
Rusoro Mining Corp	23 Jun 23	Office 301, Indigo Icon Tower, Jumeirah Lakes Towers, Cluster F, Dubai, PO Box 474288 UAE	Private company holding	100% of issued share capital
Super Ever Worldwide LTD	23 Jun 23	Trident Chambers, PO Box 146, Road Town, Tortola, VG1110, BVI	Private company holding	100% of issued share capital

5 SEGMENTAL ANALYSIS

The Group defines and presents operating segments in accordance with IFRS 8 Operating Segments which requires operating segments to be identified based on the information provided to the Chief Operating Decision Maker ("CDM"). The profit and loss information provided to the CDM and as presented in this note is on a different basis to that presented in the consolidated Statement of Comprehensive Income. A measure of total assets and liabilities is not regularly reported to the CDM and as such a segmental split of such a measure is not provided in this disclosure note.

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

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

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

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

Utmost Corporate Solutions ("UCS")
A provider of employee benefits business including life cover, income protection and critical illness cover to corporate clients to protect their employees. UCS specialises in the provision of benefits to multinational corporations with employees in multiple jurisdictions.

Utmost Life and Pensions ("ULP")
A consolidator of UK life and pensions books of business. ULP is focused on unit-linked solutions and also provides annuity and with-profits solutions to policyholders.

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

The performance of the segments is based upon the non-GAAP measure operating profit. The Group's internal definition of operating profit is considered by management to provide a better view of the Group's underlying quality of earnings compared to the IFRS profit before interest and tax ("PBIT") figure and the definition and a further reconciliation of operating profit is provided in the APMs section of this annual report.

A reconciliation of the segmental operating profit to the Group profit/(loss) before tax is provided below:

OPERATING PROFIT	2023 £'000	Restated* 2022 £'000
UWS	189,276	177,498
UCS	5,281	(2,188)
ULP	28,919	19,318
Other reconciling items	(11,830)	(10,907)
Total segmental operating profit	**211,646**	183,721
Amortisation of AVIF and depreciation	(128,849)	(148,714)
Finance costs	(17,376)	(17,783)
Non-recurring items	(4,696)	(23,794)
Profit/(loss) before tax	**60,725**	(6,570)

* See note 2.1.1 for details of the restatement of comparative information.

5 SEGMENTAL ANALYSIS CONTINUED

A breakdown of revenue by segment is provided below:

2023	UWS	UCS	ULP	Other reconciling items	Total
Insurance revenue	8,737	165,910	79,134	–	253,781
Fees and charges receivable	294,273	–	26,022	(4,506)	315,789
Total segmental revenue	**303,010**	**165,910**	**105,156**	**(4,506)**	**569,570**

2022	UWS	UCS	ULP	Other reconciling items	Total
Insurance revenue	8,218	154,136	71,225	–	233,579
Fees and charges receivable	314,729	–	28,090	(7,471)	335,348
Total segmental revenue	**322,947**	**154,136**	**99,315**	**(7,471)**	**568,927**

Of the revenue from external customers presented in the table above, £105,156k (2022: £99,315k) is attributable to revenue in the United Kingdom and £464,414k (2022: £469,612k) to the rest of the world. No revenue transaction with a single customer external to the Group amounts to greater than 10% of the Group's revenue.

The Group has total non-current assets (other than financial assets, deferred tax assets and reinsurance contract assets) of £58,188k (2022: £63,763k) located in the United Kingdom and £782,496k (2022: £883,578k) located in the rest of the world. The non-current assets arise in the reportable segments detailed above.

6 FEES AND CHARGES RECEIVABLE

	2023 £'000	Restated* 2022 £'000
Fee income from investment contracts	322,836	346,234
Net movement in deferred front-end fees	(7,047)	(10,886)
Total fee income	**315,789**	335,348

* See note 2.1.1 for details of the restatement of comparative information.

7 NET FINANCIAL RESULT

2023	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total
Net investment income – underlying assets				
Net gains on FVTPL investments	4,023,381	25,658	394,896	4,443,935
Net investment income – underlying assets	4,023,381	25,658	394,896	4,443,935
Net investment income – other investments				
Interest revenue from financial assets not measured at FVTPL	11,065	2,222	–	13,287
Net gains on FVTPL investments	12,602	10,660	57,711	80,973
Net gains on investments in debt securities measured at FVOCI	1,004	2,781	–	3,785
Net investment income – other investments	24,671	15,663	57,711	98,045
Movement in investment contract liabilities	(3,711,899)	(144)	(363,551)	(4,075,594)
Movement in investment contract liabilities	(3,711,899)	(144)	(363,551)	(4,075,594)
Total net investment income	336,153	41,177	89,056	466,386
Finance income/(expenses) from insurance contracts held				
Change in fair value of underlying assets of contracts measured under the VFA	(365,668)	(43,016)	(46,202)	(454,886)
Interest accreted	210	(16,601)	(29,295)	(45,686)
Effect of changes in interest rates and other financial assumptions	282	(11,571)	(25,224)	(36,513)
Foreign exchange differences	(5,021)	23,250	–	18,229
Finance expenses from insurance contracts issued	(370,197)	(47,938)	(100,721)	(518,856)
Finance income/(expenses) from reinsurance contracts held				
Interest accreted	3,224	8,783	8,554	20,561
Effect of changes in interest rates and other financial assumptions	30,621	6,631	12,095	49,347
Foreign exchange differences	2,706	(2,177)	–	529
Finance income from reinsurance contracts issued	36,551	13,237	20,649	70,437
Net insurance finance expenses	(333,646)	(34,701)	(80,072)	(448,419)
Summary of the amounts recognised in profit or loss				
Net investment income – underlying assets	4,023,381	25,658	394,896	4,443,935
Net investment income – other investments	23,485	12,860	57,711	94,056
Movement in investment contract liabilities	(3,711,899)	(144)	(363,551)	(4,075,594)
Net insurance finance expenses	(333,646)	(34,701)	(80,072)	(448,419)
	1,321	3,673	8,984	13,978
Summary of the amounts recognised in OCI				
Net investment income – other investments	1,186	2,803	–	3,989
Net insurance finance expenses				
Summary of the amounts recognised				
Insurance service result	3,753	4,497	4,412	12,662
Net investment income	336,153	41,177	89,056	466,386
Net insurance finance expenses	(333,646)	(34,701)	(80,072)	(448,419)
Net insurance and investment result	6,260	10,973	13,396	30,629

7 NET FINANCIAL RESULT CONTINUED

RESTATED* 2022	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total
Net investment income/(expenses) – underlying assets				
Interest revenue from financial assets not measured at FVTPL	94	–	–	94
Net losses on FVTPL investments	(6,099,572)	(3,429)	(514,712)	(6,617,713)
Net investment expenses – underlying assets	(6,099,478)	(3,429)	(514,712)	(6,617,619)
Net investment income/(expenses) – other investments				
Interest revenue from financial assets not measured at FVTPL	1,607	2,129	–	3,736
Net losses on FVTPL investments	(7,372)	(12,859)	(179,450)	(199,681)
Net losses on investments in debt securities measured at FVOCI	(1,679)	(6,089)	–	(7,768)
Net investment expenses – other investments	(7,444)	(16,819)	(179,450)	(203,713)
Movement in investment contract liabilities	5,792,729	458	463,867	6,257,054
Movement in investment contract liabilities	5,792,729	458	463,867	6,257,054
Total net investment expenses	(314,193)	(19,790)	(230,295)	(564,278)
Finance income/(expenses) from insurance contracts held				
Change in fair value of underlying assets of contracts measured under the VFA	408,987	40,846	80,744	530,577
Interest accreted	(2,467)	(821)	(4,517)	(7,805)
Effect of changes in interest rates and other financial assumptions	1,180	59,535	207,685	268,400
Foreign exchange differences	11,029	(52,319)	–	(41,290)
Finance income from insurance contracts issued	418,729	47,241	283,912	749,882
Finance income/(expenses) from reinsurance contracts held				
Interest accreted	(65,015)	(332)	2,898	(62,449)
Effect of changes in interest rates and other financial assumptions	(21,959)	(34,904)	(73,855)	(130,718)
Foreign exchange differences	(7,695)	5,666	–	(2,029)
Finance expenses from reinsurance contracts issued	(94,669)	(29,570)	(70,957)	(195,196)
Net insurance finance income	324,060	17,671	212,955	554,686
Summary of the amounts recognised in profit or loss				
Net investment expenses – underlying assets	(6,099,478)	(3,429)	(514,712)	(6,617,619)
Net investment expenses – other investments	(6,126)	(12,382)	(179,450)	(197,958)
Movement in investment contract liabilities	5,792,729	458	463,867	6,257,054
Net insurance finance income	324,060	17,671	212,955	554,686
	11,185	2,318	(17,340)	(3,837)
Summary of the amounts recognised in OCI				
Net investment expenses – other investments	(1,318)	(4,438)	–	(5,756)
Net insurance finance expenses				
Summary of the amounts recognised				
Insurance service result	2,996	(443)	15,279	17,832
Net investment expenses	(314,193)	(19,790)	(230,295)	(564,278)
Net insurance finance income	324,060	17,671	212,955	554,686
Net insurance and investment result	12,863	(2,562)	(2,061)	8,240

* See note 2.1.1 for details of the restatement of comparative information.

8 EXPENSES

	2023 £'000	Restated* 2022 £'000
Claims and benefits	190,703	191,139
Staff costs		
Wages and salaries	80,177	71,372
Social insurance costs	8,320	8,259
Pension costs – defined contributions	6,251	5,915
Termination costs	364	646
Other staff costs	2,571	2,693
	97,683	88,885
Depreciation of property, plant and equipment	5,698	6,558
Amortisation of intangible assets – software	195	195
Auditors' fees	5,884	3,382
Auditors' fees for non-audit services	652	1,096
Professional fees	17,315	20,255
Commission expenses	44,649	45,508
Other administrative costs	65,515	55,935
Total expenses	428,294	412,953
Other operating expenses	209,059	198,065
Insurance service expenses	219,235	214,888
	428,294	412,953

* See note 2.1.1 for details of the restatement of comparative information.

The average number of employees during the year was 1,472 (2022: 1,506). The auditors' fees for the audit of the annual accounts of the Company are £590k (2022: £489k), the auditors' fees for the audit for the annual accounts of the subsidiaries are £5,294k (2022: £2,893k) and the auditor fees for audit-related assurance services are £652k (2022: £1,096k). The auditors' fees include £2,466k in respect of the audit of IFRS 17.

9 FINANCE COSTS

	2023 £'000	2022 £'000
Interest expense on borrowings	16,514	16,502
Lease liability finance cost (note 25)	862	1,281
	17,376	17,783

The interest expense on borrowings arise on financial liabilities measured at amortised cost using the effective interest rate method. The borrowings in place at 31 December 2023 are detailed in note 23. There are no other gains or losses on these liabilities.

10 TAX CHARGE

	2023 £'000	Restated* 2022 £'000
Current taxation charge	5,948	13,331
Deferred taxation charge/(credit)	713	(8,979)
Taxation charge	**6,661**	4,352

* See note 2.1.1 for details of the restatement of comparative information.

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

UK taxation
The Group entities pay UK income tax at the standard rate of 23.5% (2022: 19%). The Group's UK life assurance entities are not only subject to tax at the UK standard rate (currently 23.5%) on their profits but are also subject to UK tax at the policyholder rate (20%) on investment returns accruing to the benefit of certain policyholders.

Guernsey taxation
The Group entities pay tax at 0% (2022: 0%) on its business in Guernsey. Applicable tax rates in other jurisdictions where the Guernsey subsidiaries suffer taxation in branches were Hong Kong 8.25% (2022: 8.25%) on the first HKD 2m of assessable profits and 16.5% (2022: 16.5%) thereafter, 12.5% (2022: 12.5%) in Ireland, Switzerland average 18.8% (2022: 20.3%) and 17% (2022: 17%) in Singapore.

Isle of Man taxation
On the Isle of Man, with certain exceptions not relevant to the Group, corporate entities are subject to tax at 0% (2022: 0%). Applicable tax rates in other jurisdictions where the Isle of Man subsidiaries suffer taxation in branches were Hong Kong 8.25% (2022: 8.25%) on the first HKD 2m of assessable profits and 16.5% (2022: 16.5%) thereafter, 23.5% in the UK (2022: 19%), 12.5% (2022: 12.5%) in Ireland and 17% (2022: 17%) in Singapore.

Ireland taxation
The Irish operating entities are subject to tax at 12.5% (2022: 12.5%). The applicable tax rate in the other jurisdiction where the Ireland subsidiaries suffer taxation in permanent establishments was Italy 30.8% (2022: 30.8%).

Tax losses for which no deferred tax asset is recognised
The Group has gross tax losses of £51m (2022: £55m) in respect of which no deferred tax asset is recognised, because it is not currently considered probable the losses will be utilised.

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

	2023 £'000	Restated* 2022 £'000
Profit/(loss) on ordinary activities before taxation	60,725	(6,572)
Tax charge/(credit) expected at the UK rate of 23.5% (2022: 19%)	14,270	(1,249)
Adjustment in respect of prior year	(1,274)	1,068
Impact of tax rate changes	(96)	(2,052)
Recognition of unrecognised tax losses	(2,541)	(1,692)
Non-taxable profits	1,977	4,275
Non-deductible expenses	1,084	1,276
Tax on profit subject to UK policyholder rate	(267)	(175)
Increase in unvalued tax losses	2,568	–
Tax on profits subject to a different rate	(9,381)	2,645
Other	321	256
Tax charge for the year	**6,661**	4,352

* See note 2.1.1 for details of the restatement of comparative information.

The Pillar 2 international minimum tax regime commences in 2024, for in-scope groups whose "revenues" exceed EUR 750 million for two of the previous four years. The Utmost Group is currently analysing the scope of this regime with respect to its operations and currently anticipates that it is not immediately in scope. This is based on our interpretation of latest OECD Agreed Administrative Guidance that indicates policyholders' investment return from unit-linked business should not be considered "revenue" of the insurance company for the purposes of the scoping test because this return is not an economic benefit to the corporate group, rather to our policyholders. It is acknowledged there is uncertainty over the definition and how tax authorities relevant to the Utmost Group will interpret it when enacting local law in future. The Group also has growth ambitions such that we consider it likely we will generate annual revenues that exceed EUR 750m per annum in future.

The new tax regime's rules are highly complex, but we anticipate applying a minimum effective tax rate of 15% to all Group profits would have a negative economic effect if the Group was to fall in scope. This would be primarily due to the increase in tax payable on Utmost International's Isle of Man and Guernsey entities' profits, which are currently taxed at 0%. The tax impact (if any) in the other jurisdictions the Group operates in would be expected to be significantly less material for the Utmost Group due to the existing local tax rate already being above or close to 15%, and/or the relatively small size of our local operations.

The Group is committed to transparency. We will continue to monitor the developments of the Pillar 2 regime closely, including any forthcoming guidance and legislation from tax authorities, and will ensure we are compliant with any requirements.

11 ACQUIRED VALUE OF IN-FORCE BUSINESS

COST	2023 £'000	Restated* 2022 £'000
At 1 January	1,177,114	1,165,110
Foreign exchange movement	(5,033)	12,004
At 31 December	1,172,081	1,177,114
Accumulated amortisation		
At 1 January	350,048	195,190
Charge for the year	122,956	141,961
Foreign exchange movement	(2,097)	4,476
(Reversal of impairment)/impairment	(8,421)	8,421
At 31 December	462,486	350,048
Net book value at 31 December	709,595	827,066
Current (within 12 months)	105,646	123,488
Non-current (after 12 month)	603,949	703,578
	709,595	827,066

* See note 2.1.1 for details of the restatement of comparative information.

AVIF is tested for impairment annually by reference to the present value of estimated future profits. The present value of estimated future profits is calculated using significant estimates including forecast expenses, charges, persistency rates, guarantee costs and discount rates. As at 31 December 2023, the present value of estimated future profits exceeded the carrying value of the AVIF in respect of contracts originally written in Athlumney Kappa (Ireland) DAC and as such a reversal of the 2022 impairment charge of £8,421k has been recognised.

12 DEFERRED ACQUISITION COSTS

	2023 £'000	Restated* 2022 £'000
At 1 January	88,706	57,732
Acquisition costs capitalised during the year	23,815	36,044
Acquisition costs amortised during the year	(9,858)	(7,037)
Foreign exchange movement	(915)	1,967
At 31 December	101,748	88,706
Current (within 12 months)	4,188	9,653
Non-current (after 12 months)	97,560	79,053
	101,748	88,706

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

* See note 2.1.1 for details of the restatement of comparative information.

13 PROPERTY, PLANT AND EQUIPMENT

	Right of use asset £'000	Property and office equipment £'000	Total £'000
Year ended 31 December 2022			
Opening net book amount	25,127	2,087	27,214
Additions in the year	10,468	2,071	12,539
Disposals	(2,692)	(54)	(2,746)
Depreciation charge	(5,342)	(1,216)	(6,558)
Foreign exchange movement	670	43	713
Closing net book value	28,231	2,931	31,162
At 31 December 2022			
Cost	42,695	19,087	61,782
Accumulated depreciation	(14,464)	(16,156)	(30,620)
Net book amount	28,231	2,931	31,162

	Right of use asset £'000	Property and office equipment £'000	Investment property	Total £'000
Year ended 31 December 2023				
Opening net book amount	28,231	2,931	–	31,162
Additions on acquisitions of subsidiaries	–	10,800	5,700	16,500
Additions in the year	766	1,147	–	1,913
Disposals	(13,892)	(1,350)	–	(15,242)
Depreciation charge	(4,482)	(1,216)	–	(5,698)
Other	405	269	–	674
Foreign exchange movement	(163)	(18)	–	(181)
Closing net book value	10,865	12,563	5,700	29,128
At 31 December 2023				
Cost	27,739	25,695	5,700	59,134
Accumulated depreciation	(16,874)	(13,132)	–	(30,006)
Net book amount	10,865	12,563	5,700	29,128

14 FINANCIAL ASSETS AT FAIR VALUE HELD TO COVER LINKED LIABILITIES

Underlying items

	2023 £'000	Restated* 2022 £'000
Fixed income securities	3,353,165	2,226,839
Deposits and loans	336,828	294,696
Ordinary shares and funds	52,214,252	49,576,002
Other investments	637,594	863,424
Modified coinsurance account	235,207	365,990
Cash and cash equivalents	2,865,208	3,574,416
	59,642,254	56,901,367

* See note 2.1.1 for details of the restatement of comparative information.

Included in the analysis above are investments of £2,450,569k (2022: £2,469,181k) which are level 3 assets in the Fair Value Hierarchy. The nature of these assets means there may be limited liquidity through suspensions, liquidations or by the nature of assets the underlying fund invests into.

Other investments include structured notes and collateralised securities.

Interest in structured entities

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

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

Modified coinsurance account

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

	2023 £'000	2022 £'000
Balance at 1 January	365,990	408,943
Deposits to investment contracts	632	655
Withdrawals from investment contracts	(102,116)	(17,875)
Attributable investment income	721	3,193
Attributable net loss on investments	(31,344)	(27,125)
Policy charges	1,334	(1,784)
Attributable expenses and charges	(10)	(17)
Balance at 31 December	235,207	365,990

15 OTHER INVESTMENTS

	2023 £'000	2022 £'000
Other investments		
Debt securities	861,297	914,737
Ordinary shares and funds – at fair value through profit and loss	158,838	93,074
Other	1,638	1,800
	1,021,773	1,009,611
Underlying items		
Debt securities	423,845	442,346
Ordinary shares and funds – at fair value through profit and loss	152,036	125,697
Other	2,113	2,650
	577,994	570,693
Total other investments	1,599,767	1,580,304

Ordinary shares and funds includes the Group's holdings in the Oaktree European Senior Loan Fund, domiciled in Luxembourg. This fund has monthly valuation and liquidity. This investment falls into the level 2 fair value hierarchy. The Group's holdings of £35,266k at 31 December 2023 (2022: £35,852k) are in the GBP share class. Dividends are declared quarterly and reinvested in additional units in the fund. The investment return on the investment is attributable in full to the Group.

16 WITHHOLDING TAX ASSET

	2023 £'000	2022 £'000
Asset		
Balance at 1 January	108,932	108,899
Payable in the year	15,244	(881)
Recovered from policyholders during the year	(11,230)	(4,627)
Offset special credit	(15,864)	–
Foreign exchange movement	(2,277)	5,541
Balance at 31 December	94,805	108,932
Liability		
Balance at 1 January	–	–
Payable in the year	15,244	17,295
Paid during the year	–	(17,571)
Offset special credit	(15,244)	–
Foreign exchange movement	–	276
Balance at 31 December	–	–
Maturity analysis of tax expected to be recovered		
In one financial year or less	–	–
In more than one financial year, but not more than five financial years	94,805	108,932
In more than five financial years, but not more than twenty financial years	–	–
Total	94,805	108,932

The Italian withholding tax asset represents a 'tax prepayment' asset relating to prepaid withholding tax in relation to unit-linked business sold by UPE to Italian policyholders on a 'Freedom of Services' basis. The amount prepaid to the tax authority is based on a percentage of total mathematical reserves ("MR") for the Italian business (currently 0.5%) and is paid each June subject to a cap of a specified percentage (currently 1.5%) of MR in respect of Italian policies. The tax prepayment is recovered over time via several methods, including reclaiming tax directly from policyholders who elect to surrender their policy, or alternatively reducing the amount paid to the Italian tax authority in future periods, using specific rules which allow the prepayment to be reduced based on amounts paid five years beforehand.

17 OTHER RECEIVABLES

	2023 £'000	Restated* 2022 £'000
Debtors arising out of investment contracts	12,518	21,624
Investment dealing debtors	41,241	48,958
Retirement benefit asset (see note 19)	9,162	9,687
Accrued income and prepayments	47,599	46,996
Policyholder loans	151,024	165,168
Other receivables	33,250	25,118
	294,794	317,551
Current (within 12 months)	285,632	307,864
Non-current (after 12 months)	9,162	9,687
	294,794	317,551

* See note 2.1.1 for details of the restatement of comparative information.

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

18 CASH AND CASH EQUIVALENTS

	2023 £'000	Restated* 2022 £'000
Deposits with credit institutions	281,962	208,991
Cash at bank	187,554	258,283
	469,516	467,274

* See note 2.1.1 for details of the restatement of comparative information.

19 RETIREMENT BENEFIT SCHEMES

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

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

	AS AT 31 DECEMBER 2023	
	RPS £'000	UWEPS £'000
Present value of funded obligations	(23,974)	(11,394)
Fair value of plan assets	22,600	20,556
Net (liability)/asset recognised in the Statement of Financial Position	(1,374)	9,162

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

Net interest on defined benefit obligation	39	(456)
Remeasurement recognised	(721)	(981)
Actual return on fund assets	1,210	398
Pension scheme expenses	242	–
	770	(1,039)

	AS AT 31 DECEMBER 2022	
	RPS £'000	UWEPS £'000
Present value of funded obligations	(24,295)	(10,640)
Fair value of plan assets	23,599	20,327
Net (liability)/asset recognised in the Statement of Financial Position	(696)	9,687

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

Net interest on defined benefit obligation	21	(53)
Remeasurement recognised	(15,949)	6,616
Actual return on fund assets	16,938	3,115
Change in onerous liability	(1,153)	–
	(143)	9,678

19 RETIREMENT BENEFIT SCHEMES CONTINUED

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

	For the year ended 31 December 2023	
	RPS £'000	**UWEPS £'000**
Change in retirement benefit obligation		
Retirement benefit obligation at 1 January	**24,295**	**10,640**
Benefits paid	**(779)**	**(170)**
Interest on obligation	**1,179**	**497**
Experience (gains)/losses	**(604)**	**200**
Losses from changes in financial assumptions	**233**	**404**
Gains from changes in demographic assumptions	**(350)**	**(177)**
Retirement benefit obligation at 31 December	**23,974**	**11,394**

	For the year ended 31 December 2022	
	RPS £'000	UWEPS £'000
Change in retirement benefit obligation		
Retirement benefit obligation at 1 January	40,030	20,491
Benefits paid	(752)	(66)
Interest on obligation	766	362
Experience losses	1,365	197
Gains from changes in financial assumptions	(16,811)	(10,390)
(Gains)/losses from changes in demographic assumptions	(503)	46
Other	200	–
Retirement benefit obligation at 31 December	24,295	10,640

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

	For the year ended 31 December 2023	
	RPS £'000	**UWEPS £'000**
Change of fair value of plan assets		
Fair value of plan assets at 1 January	**23,599**	**20,327**
Interest on assets	**1,140**	**953**
Return on assets (not including interest)	**(1,210)**	**(554)**
Benefits paid	**(779)**	**(170)**
Contributions by the Group	**92**	**–**
Pension scheme expenses	**(242)**	**–**
Closing fair value of plan assets	**22,600**	**20,556**

	For the year ended 31 December 2022	
	RPS £'000	UWEPS £'000
Change of fair value of plan assets		
Fair value of plan assets at 1 January	39,713	23,509
Interest on assets	767	415
Return on assets (not including interest)	(16,938)	(3,531)
Benefits paid	(752)	(66)
Contributions by the Group	1,011	–
Pension scheme expenses	(202)	–
Closing fair value of plan assets	23,599	20,327

The weighted average durations of the liabilities of RPS and UWEPS were 16 years and 19 years respectively as at 31 December 2023 (23 years and 26 years respectively as at 31 December 2022).

	AS AT 31 DECEMBER 2023	
	RPS %	**UWEPS %**
Plan asset disaggregation by asset class		
Equities	**29.1**	**–**
Bonds	**69.7**	**94.7**
Cash	**1.2**	**5.3**
	100.0	**100.0**

100% of plan assets are valued based upon a quoted market price.

	AS AT 31 DECEMBER 2022	
	RPS %	UWEPS %
Plan asset disaggregation by asset class		
Equities	31.1	–
Bonds	67.9	65.5
Cash	1.0	34.5
	100.0	100.0

	AS AT 31 DECEMBER 2023	
	RPS %	**UWEPS %**
Plan assumptions		
Discount rate	**4.6**	**4.5**
Inflation	**3.0**	**3.2**
Rate of increase in deferred pensions	**2.7**	**3.1**
Rate of increase in pension payments	**2.7**	**3.1**

	AS AT 31 DECEMBER 2022	
	RPS %	UWEPS %
Plan assumptions		
Discount rate	4.9	4.7
Inflation	3.3	3.3
Rate of increase in deferred pensions	2.9	3.2
Rate of increase in pension payments	2.9	3.2

Mortality Assumptions

		EXPECTATION OF LIFE FROM RETIREMENT AT AGE 65			
		Male currently aged 65	Male currently aged 45	Female currently aged 65	Female currently aged 45
31 December 2023	**RPS**	**21.7**	**22.9**	**24.1**	**25.5**
	UWEPS	**23.0**	**23.9**	**24.7**	**25.8**
31 December 2022	RPS	22.2	23.5	24.5	25.9
	UWEPS	23.5	24.4	25.1	26.2

Sensitivity Analysis

The following tables illustrate the sensitivity of the Retirement Benefit Obligations of the two schemes at 31 December 2023 to changes in the significant actuarial assumptions. The below sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

19 RETIREMENT BENEFIT SCHEMES CONTINUED

RPS

	IMPACT ON VALUE OF RETIREMENT BENEFIT OBLIGATION	
2023	**£m**	**£m**
Interest rates – up 50 bps/down 50 bps	**(1.6)**	**2.0**
Inflation – up 50 bps/down 50 bps	**1.1**	**(1.0)**
Mortality tables – add/subtract 5% to long-term rate of improvement	**(0.5)**	**0.5**

	IMPACT ON VALUE OF RETIREMENT BENEFIT OBLIGATION	
2022	£m	£m
Interest rates – up 50 bps/down 50 bps	(1.8)	2.0
Inflation – up 50 bps/down 50 bps	1.1	(1.1)
Mortality tables – add/subtract 5% to long-term rate of improvement	(0.3)	0.3

UWEPS

	IMPACT ON VALUE OF RETIREMENT BENEFIT OBLIGATION	
2023	**£m**	**£m**
Interest rates – up 50 bps/down 50 bps	**(1.0)**	**1.2**
Inflation – up 50 bps/down 50 bps	**1.0**	**(0.9)**
Mortality tables – add/subtract 5% to long-term rate of improvement	**(0.1)**	**0.1**

	IMPACT ON VALUE OF RETIREMENT BENEFIT OBLIGATION	
2022	£m	£m
Interest rates – up 50 bps/down 50 bps	(1.0)	(1.2)
Inflation – up 50 bps/down 50 bps	0.9	(0.9)
Mortality tables – add/subtract 5% to long-term rate of improvement	(0.1)	0.1

Funding Policy

RPS

On 1 April 2018, as part of the business transfer arrangements between RMIS and the Company, ULP became the principal employer to the Reliance Pension Scheme, RMIS's former defined benefit pension scheme. The scheme has been closed to future accrual since June 2010. The latest full valuation of the scheme was carried out as at 31 March 2022 and finalised in January 2023, and this resulted in the scheme showing a small surplus. Consequently, the Recovery Plan that was in place for the Company to pay deficit contributions, and which was due to run until September 2023, was cancelled, with the position to be reassessed following the 31 March 2025 valuation. During the year from 1 January to 31 December 2023 the Company made contributions of £0.1m solely in respect of administration fees, (2022 total contributions of £1.0m which included £0.8m for pension deficit funding).

UWEPS

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

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

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

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

20 INVESTMENT CONTRACT LIABILITIES

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

	2023 £'000	Restated* 2022 £'000
Balance at start of year	51,872,159	57,020,389
Deposits to investment contracts	2,986,609	3,734,969
Withdrawals from investment contracts	(4,097,689)	(3,173,774)
Fees and charges deducted including third-party charges	(367,022)	(369,789)
Commissions and rebates receivable	2,967	449
Change in investment contract liabilities	4,075,594	(6,257,054)
Other movements	(4,181)	(3,798)
Foreign exchange movement	(352,388)	920,767
Movement in the year	2,243,890	(5,148,230)
Closing balance carried forward	54,116,049	51,872,159

* See note 2.1.1 for details of the restatement of comparative information.

21 INSURANCE CONTRACT LIABILITIES

Composition of the balance sheet

	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total	Current portion	Non-current portion	Total
2023							
Insurance contract assets	83	–	42	125	20	105	125
Insurance contract liabilities	5,618,248	1,004,220	1,210,867	7,833,335	1,151,433	6,681,902	7,833,335
Reinsurance contract assets	470,661	236,803	237,986	945,450	135,763	809,687	945,450
Reinsurance contract liabilities	1,132	–	29,848	30,980	888	30,092	30,980
2022							
Insurance contract assets	76	–	–	76	–	76	76
Insurance contract liabilities	5,107,618	933,913	1,223,453	7,264,984	1,140,701	6,124,283	7,264,984
Reinsurance contract assets	478,205	201,722	232,685	912,612	138,403	774,209	912,612
Reinsurance contract liabilities	1,095	–	27,627	28,722	1,148	27,564	28,722

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Insurance revenue and insurance service result

INSURANCE REVENUES AND EXPENSES

2023	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total
Insurance revenue				
Amounts relating to the changes in the LRC				
– Expected incurred claims and other expenses after loss component allocation	4,566	117,701	69,828	192,095
– Changes in the risk adjustment for non-financial risk for the risk expired after loss component allocation	1,259	9,145	1,378	11,782
– CSM recognised in profit or loss for the services provided	2,599	30,537	7,928	41,064
Insurance acquisition cash flows recovery	313	8,527	–	8,840
Total insurance revenue	8,737	165,910	79,134	253,781
Insurance service expenses				
Incurred claims and other directly attributable expenses	(3,835)	(117,030)	(62,891)	(183,756)
Changes that relate to past service – adjustments to the LIC	–	(10,264)	–	(10,264)
Losses on onerous contracts and reversal of the losses	(281)	(12,986)	(3,049)	(16,316)
Insurance acquisition cash flows amortisation	(320)	(8,579)	–	(8,899)
Total insurance service expenses	(4,436)	(148,859)	(65,940)	(219,235)
Net expenses from reinsurance contracts held				
Reinsurance expenses				
Amounts relating to the changes in the remaining coverage				
– Expected claims and other expenses recovery	(33)	(83,333)	(40,836)	(124,202)
– Changes in the risk adjustment recognised for the risk expired	(172)	(7,331)	(653)	(8,156)
– CSM recognised for the services received	(327)	(23,078)	(4,265)	(27,670)
Reinsurance expenses	(532)	(113,742)	(45,754)	(160,028)
Effects of changes in the risk of reinsurers non-performance	–	(119)	219	100
Claims recovered	(16)	76,055	36,837	112,876
Changes that relate to future service – changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	–	12,159	(84)	12,075
Changes that relate to past service – adjustments to incurred claims	–	13,093	–	13,093
Total net expenses from reinsurance contracts held	(548)	(12,554)	(8,782)	(21,884)
Total insurance service result	3,753	4,497	4,412	12,662

INSURANCE REVENUES AND EXPENSES

2022	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total
Insurance revenue				
Amounts relating to the changes in the LRC				
– Expected incurred claims and other expenses after loss component allocation	4,625	121,064	63,870	189,559
– Changes in the risk adjustment for non-financial risk for the risk expired after loss component allocation	1,356	9,037	1,523	11,916
– CSM recognised in profit or loss for the services provided	2,041	18,150	5,832	26,023
Insurance acquisition cash flows recovery	196	5,885	–	6,081
Total insurance revenue	8,218	154,136	71,225	233,579
Insurance service expenses				
Incurred claims and other directly attributable expenses	(3,791)	(128,326)	(51,262)	(183,379)
Changes that relate to past service – adjustments to the LIC	–	(13,105)	–	(13,105)
Losses on onerous contracts and reversal of the losses	(760)	(10,346)	(1,163)	(12,269)
Insurance acquisition cash flows amortisation	(202)	(5,933)	–	(6,135)
Total insurance service expenses	(4,753)	(157,710)	(52,425)	(214,888)
Net expenses from reinsurance contracts held				
Reinsurance expenses				
Amounts relating to the changes in the remaining coverage				
– Expected claims and other expenses recovery	(23)	(84,188)	(41,545)	(125,756)
– Changes in the risk adjustment recognised for the risk expired	(168)	(5,959)	(750)	(6,877)
– CSM recognised for the services received	(377)	(18,809)	(2,853)	(22,039)
Reinsurance expenses	(568)	(108,956)	(45,148)	(154,672)
Other incurred directly attributable expenses	1	–	–	1
Effects of changes in the risk of reinsurers non-performance	–	(39)	2,398	2,359
Claims recovered	93	87,099	39,053	126,245
Changes that relate to future service – changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	5	12,513	176	12,694
Changes that relate to past service – adjustments to incurred claims	–	12,514	–	12,514
Total net expenses from reinsurance contracts held	(469)	3,131	(3,521)	(859)
Total insurance service result	2,996	(443)	15,279	17,832

FINANCIAL STATEMENTS

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Amounts determined by transition method

2023	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total
Insurance contracts issued				
Insurance revenue				
New contracts	1,281	133,188	605	135,074
Contracts measured under the fair value approach at transition	7,456	32,722	78,529	118,707
	8,737	165,910	79,134	253,781
CSM as at 31 December				
New contracts	15,800	16,559	3,111	35,470
Contracts measured under the fair value approach at transition	25,388	7,686	90,546	123,620
	41,188	24,245	93,657	159,090
Reinsurance contracts held				
CSM as at 31 December				
New contracts	43	13,989	–	14,032
Contracts measured under the fair value approach at transition	1,641	1,353	58,422	61,416
	1,684	15,342	58,422	75,448

2022	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total
Insurance contracts issued				
Insurance revenue				
New contracts	705	74,076	97	74,878
Contracts measured under the fair value approach at transition	7,513	80,060	71,128	158,701
	8,218	154,136	71,225	233,579
CSM as at 31 December				
New contracts	5,017	9,939	1,693	16,649
Contracts measured under the fair value approach at transition	19,761	8,740	68,476	96,977
	24,778	18,679	70,169	113,626
Reinsurance contracts held				
CSM as at 31 December				
New contracts	–	8,769	–	8,769
Contracts measured under the fair value approach at transition	1,859	3,211	42,459	47,529
	1,859	11,980	42,459	56,298

Expected recognition of the contractual service margin

2023	INSURANCE CONTRACTS HELD Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total CSM for insurance contracts issued	REINSURANCE CONTRACTS HELD Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total CSM for reinsurance contracts held
1 year	3,187	12,358	7,568	23,113	90	8,077	4,134	12,301
2 years	3,842	4,697	5,851	14,390	746	3,774	2,909	7,429
3 years	2,802	1,180	5,521	9,503	78	1,007	2,845	3,930
4 years	2,594	524	5,252	8,370	72	456	2,799	3,327
5 years	2,403	482	4,964	7,849	66	455	2,743	3,264
6-10 years	9,498	1,876	20,797	32,171	256	1,429	12,470	14,155
>10 years	16,862	3,128	43,704	63,694	376	144	30,522	31,042
Total	41,188	24,245	93,657	159,090	1,684	15,342	58,422	75,448

2022	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total CSM for insurance contracts issued	Utmost Wealth Solutions	Utmost Corporate Solutions	Utmost Life and Pensions	Total CSM for reinsurance contracts held
1 year	2,061	10,350	5,384	17,795	111	8,226	2,857	11,194
2 years	2,627	3,147	4,096	9,870	720	2,220	1,909	4,849
3 years	1,777	554	3,839	6,170	97	281	1,860	2,238
4 years	1,629	384	3,623	5,636	90	177	1,821	2,088
5 years	1,485	359	3,461	5,305	84	177	1,799	2,060
6-10 years	5,713	1,435	14,725	21,873	333	734	8,384	9,451
>10 years	9,486	2,450	35,041	46,977	424	165	23,829	24,418
Total	24,778	18,679	70,169	113,626	1,859	11,980	42,459	56,298

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

	2023					2022				
ANNUITIES	1 year	5 years	10 years	15 years	20 years	1 year	5 years	10 years	15 years	20 years
GBP	6.08%	4.70%	4.62%	4.74%	4.77%	5.95%	5.55%	5.20%	5.11%	5.02%
Other insurance contracts										
GBP	4.74%	3.36%	3.28%	3.40%	3.43%	4.46%	4.06%	3.71%	3.62%	3.54%
EUR	3.36%	2.32%	2.39%	2.47%	2.41%	3.18%	3.13%	3.09%	3.02%	2.77%
USD	5.07%	3.95%	3.75%	3.71%	3.63%	5.07%	3.95%	3.75%	3.63%	3.27%

Utmost Wealth Solutions

	2023	2022
Insurance contract reserves	5,608,943	5,099,089
Claims payable	9,613	8,572
Premium receivable	(308)	(43)
Insurance contract liabilities	5,618,248	5,107,618

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	2023				2022			
	LRC				LRC			
	Excluding loss component	Loss component	LIC	Total	Excluding loss component	Loss component	LIC	Total
Opening insurance contract liabilities	5,098,333	756	–	5,099,089	5,043,918	–	–	5,043,918
Opening insurance contract assets	(76)	–	–	(76)	(119)	–	–	(119)
Net balance as at 1 January	5,098,257	756	–	5,099,013	5,043,799	–	–	5,043,799
Insurance revenue	(8,737)	–	–	(8,737)	(8,218)	–	–	(8,218)
Insurance service expenses								
Incurred claims and other directly attributable expenses	–	(49)	3,884	3,835	–	(15)	3,806	3,791
Losses on onerous contracts and reversal of those losses	–	281	–	281	–	760	–	760
Insurance acquisition cash flows amortisation	320	–	–	320	202	–	–	202
Insurance service expenses	320	232	3,884	4,436	202	745	3,806	4,753
Insurance service result	(8,417)	232	3,884	(4,301)	(8,016)	745	3,806	(3,465)
Finance expenses/(income) from insurance contracts issued	370,203	(6)	–	370,197	(418,728)	(1)	–	(418,729)
Total amounts recognised in comprehensive income	361,786	226	3,884	365,896	(426,744)	744	3,806	(422,194)
Investment components	(439,414)	–	439,414	–	(215,332)	–	215,332	–
Effect of movements in exchange rates	(70,248)	(7)	(1)	(70,256)	192,196	12	(1)	192,207
Cash flows								
Premiums received	659,709	–	–	659,709	507,950	–	–	507,950
Claims and other directly attributable expenses paid	–	–	(443,297)	(443,297)	–	–	(219,137)	(219,137)
Insurance acquisition cash flows amortisation	(2,205)	–	–	(2,205)	(3,612)	–	–	(3,612)
Total cash flows	657,504	–	(443,297)	214,207	504,338	–	(219,137)	285,201
Net balance as at 31 December	5,607,885	975	–	5,608,860	5,098,257	756	–	5,099,013
Closing insurance contract liabilities	5,607,968	975	–	5,608,943	5,098,333	756	–	5,099,089
Closing insurance contract assets	(83)	–	–	(83)	(76)	–	–	(76)
Net balance as at 31 December	5,607,885	975	–	5,608,860	5,098,257	756	–	5,099,013

Reconciliation of the measurement components of insurance contract balances

	2023				2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract liabilities	5,061,422	12,893	24,774	5,099,089	5,020,088	12,832	10,998	5,043,918
Opening insurance contract assets	(80)	–	4	(76)	(119)	–	–	(119)
Net balance as at 1 January	5,061,342	12,893	24,778	5,099,013	5,019,969	12,832	10,998	5,043,799
Changes that relate to current service								
CSM recognised in profit or loss for the services provided	–	–	(2,599)	(2,599)	–	–	(2,041)	(2,041)
Change in the risk adjustment for non-financial risk for the risk expired	–	(1,259)	–	(1,259)	–	(1,356)	–	(1,356)
Experience adjustments	(1,134)	–	–	(1,134)	(932)	–	–	(932)
	(1,134)	(1,259)	(2,599)	(4,992)	(932)	(1,356)	(2,041)	(4,329)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(6,930)	333	6,597	–	(9,391)	(325)	9,716	–
Changes in estimates that result in onerous contract losses or reversal of losses	544	–	–	544	864	–	–	864
Contracts initially recognised in the period	(10,233)	1,162	9,218	147	(7,330)	1,020	6,310	–
	(16,619)	1,495	15,815	691	(15,857)	695	16,026	864
Insurance service result	(17,753)	236	13,216	(4,301)	(16,789)	(661)	13,985	(3,465)
Finance expenses/(income) from insurance contracts issued	366,279	394	3,524	370,197	(417,979)	182	(932)	(418,729)
Total amounts recognised in comprehensive income	348,526	630	16,740	365,896	(434,768)	(479)	13,053	(422,194)
Effect of movements in exchange rates	(69,735)	(191)	(330)	(70,256)	190,940	540	727	192,207
Cash flows								
Premiums received	659,709	–	–	659,709	507,950	–	–	507,950
Claims and other directly attributable expenses paid	(443,297)	–	–	(443,297)	(219,137)	–	–	(219,137)
Insurance acquisition cash flows	(2,205)	–	–	(2,205)	(3,612)	–	–	(3,612)
Total cash flows	214,207	–	–	214,207	285,201	–	–	285,201
Net balance as at 31 December	5,554,340	13,332	41,188	5,608,860	5,061,342	12,893	24,778	5,099,013
Closing insurance contract liabilities	5,554,436	13,332	41,175	5,608,943	5,061,422	12,893	24,774	5,099,089
Closing insurance contract assets	(96)	–	13	(83)	(80)	–	4	(76)
Net balance as at 31 December	5,554,340	13,332	41,188	5,608,860	5,061,342	12,893	24,778	5,099,013

The premium receivables balance forms part of the Liability for Remaining Coverage and the claims payable balance forms part of the Liability for Incurred Claims. Both balances form part of the Present Value of Future Cash Flows.

	PREMIUM RECEIVABLE		CLAIMS PAYABLE	
	2023	2022	2023	2022
Opening balance	43	116	8,572	8,969
Incurred	288	332	210,738	105,005
Received/paid	(29)	(404)	(209,685)	(105,726)
Foreign exchange movement	6	(1)	(12)	324
Closing balance	308	43	9,613	8,572

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Insurance revenue and the CSM by the transition method

	2023			2022		
	Contracts measured under the fair value approach at transition	New contracts	Total	Contracts measured under the fair value approach at transition	New contracts	Total
Insurance revenue	7,456	1,281	8,737	7,513	705	8,218
CSM as at 1 January	19,761	5,017	24,778	10,998	–	10,998
Changes that relate to current service:						
CSM recognised in profit or loss for the services provided	(2,053)	(546)	(2,599)	(1,793)	(248)	(2,041)
Changes that relate to future service:						
Changes in estimate that adjust the CSM	4,880	1,717	6,597	10,832	(1,116)	9,716
Contract initially recognised in the period	–	9,218	9,218	–	6,310	6,310
	2,827	10,389	13,216	9,039	4,946	13,985
Finance expenses/(income) from insurance contracts issued	3,081	443	3,524	(865)	(67)	(932)
Total amounts recognised in comprehensive income	5,908	10,832	16,740	8,174	4,879	13,053
Foreign exchange movement	(281)	(49)	(330)	589	138	727
CSM as at 31 December	25,388	15,800	41,188	19,761	5,017	24,778

	2023	2022
Reinsurance contract reserves	469,354	477,886
Reinsurance receivable	1,307	319
Reinsurance contract assets	470,661	478,205

Reinsurance contracts held

	2023			2022		
	Remaining coverage	Incurred claims	Total	Remaining coverage	Incurred claims	Total
Opening reinsurance contract assets	477,886	–	477,886	578,808	–	578,808
Opening reinsurance contract liabilities	(1,095)	–	(1,095)	(1,200)	–	(1,200)
Net balance as at 1 January	476,791	–	476,791	577,608	–	577,608
Net (expenses)/income from reinsurance contracts held						
Reinsurance expenses	(532)	–	(532)	(568)	–	(568)
Other incurred directly attributable expenses	–	–	–	(1)	–	(1)
Claims recovered	(16)	–	(16)	–	93	93
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	–	–	–	(5)	–	(5)
Net (expenses)/income from reinsurance contracts held	(548)	–	(548)	(574)	93	(481)
Finance income/(expenses) from reinsurance contracts held	36,551	–	36,551	(94,669)	–	(94,669)
Total amounts recognised in comprehensive income	36,003	–	36,003	(95,243)	93	(95,150)
Investment components	(38,688)	38,688	–	(23,170)	20,650	(2,520)
Effect of movements in exchange rates	(5,732)	–	(5,732)	17,878	1	17,879
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses paid	(152)	–	(152)	(282)	–	(282)
Recoveries from reinsurance	–	(38,688)	(38,688)	–	(20,744)	(20,744)
Total cash flows	(152)	(38,688)	(38,840)	(282)	(20,744)	(21,026)
Net balance as at 31 December	468,222	–	468,222	476,791	–	476,791
Closing reinsurance contract assets	469,354	–	469,354	477,886	–	477,886
Closing reinsurance contract liabilities	(1,132)	–	(1,132)	(1,095)	–	(1,095)
Net balance as at 31 December	468,222	–	468,222	476,791	–	476,791

Reconciliation of the measurement components of reinsurance contract balances

	2023				2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	474,123	1,904	1,859	477,886	575,263	1,924	1,621	578,808
Opening reinsurance contract liabilities	(1,095)	–	–	(1,095)	(1,200)	–	–	(1,200)
Net balance as at 1 January	473,028	1,904	1,859	476,791	574,063	1,924	1,621	577,608
Changes that relate to current service								
CSM recognised in profit or loss for the services received	–	–	(327)	(327)	–	–	(377)	(377)
Change in the risk adjustment for non-financial risk for the risk expired	–	(172)	–	(172)	–	(168)	–	(168)
Experience adjustments	(223)	–	174	(49)	(70)	8	139	77
	(223)	(172)	(153)	(548)	(70)	(160)	(238)	(468)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(29)	23	6	–	38	112	(162)	(12)
Contracts initially recognised in the period	185	(97)	(88)	–	(488)	(49)	541	4
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	–	–	–	–	(5)	–	–	(5)
	156	(74)	(82)	–	(455)	63	379	(13)
Net (expenses)/income from reinsurance contracts held	(67)	(246)	(235)	(548)	(525)	(97)	141	(481)
Finance income/(expenses) from insurance contracts issued	36,440	76	35	36,551	(94,622)	(26)	(21)	(94,669)
Total amounts recognised in comprehensive income	36,373	(170)	(200)	36,003	(95,147)	(123)	120	(95,150)
Foreign exchange movements	(5,763)	6	25	(5,732)	17,658	103	118	17,879
Other changes	–	–	–	–	(2,500)	–	–	(2,500)
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	(152)	–	–	(152)	(282)	–	–	(282)
Recoveries from reinsurance	(38,688)	–	–	(38,688)	(20,744)	–	–	(20,744)
Total cash flows	(38,840)	–	–	(38,840)	(21,026)	–	–	(21,026)
Net balance as at 31 December	464,798	1,740	1,684	468,222	473,028	1,904	1,859	476,791
Closing reinsurance contract assets	466,350	1,468	1,536	469,354	474,123	1,904	1,859	477,886
Closing reinsurance contract liabilities	(1,552)	272	148	(1,132)	(1,095)	–	–	(1,095)
Net balance as at 31 December	464,798	1,740	1,684	468,222	473,028	1,904	1,859	476,791

	REINSURANCE RECEIVABLE	
	2023	2022
Opening balance	319	157
Incurred	28,289	20,792
Received	(27,294)	(20,670)
Foreign exchange movement	(7)	40
Closing balance	1,307	319

Utmost Corporate Solutions

	2023	2022
Insurance contract reserves	1,018,272	953,657
Claims payable	5,948	3,496
Premium receivable	(20,000)	(23,240)
Insurance contract liabilities	1,004,220	933,913

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	2023				2022			
	LRC				LRC			
	Excluding loss component	Loss component	LIC	Total	Excluding loss component	Loss component	LIC	Total
Opening insurance contract liabilities	596,096	5,623	351,938	953,657	626,498	–	322,930	949,428
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	596,096	5,623	351,938	953,657	626,498	–	322,930	949,428
Insurance revenue	(165,910)	–	–	(165,910)	(154,136)	–	–	(154,136)
Insurance service expenses								
Incurred claims and other directly attributable expenses	–	(11,245)	128,275	117,030	–	(4,974)	133,300	128,326
Changes that relate to past service – adjustments to the LIC	–	–	10,264	10,264	–	–	13,105	13,105
Losses on onerous contracts and reversal of those losses	–	12,986	–	12,986	–	10,346	–	10,346
Insurance acquisition cash flows amortisation	8,579	–	–	8,579	5,933	–	–	5,933
Insurance service expenses	8,579	1,741	138,539	148,859	5,933	5,372	146,405	157,710
Insurance service result	(157,331)	1,741	138,539	(17,051)	(148,203)	5,372	146,405	3,574
Finance expenses/(income) from insurance contracts issued	34,657	31	13,250	47,938	(17,241)	95	(30,095)	(47,241)
Total amounts recognised in comprehensive income	(122,674)	1,772	151,789	30,887	(165,444)	5,467	116,310	(43,667)
Investment components	(55,240)	–	55,240	–	(68,125)	–	68,125	–
Effect of movements in exchange rates	(290)	(96)	(4,482)	(4,868)	822	156	11,893	12,871
Cash flows								
Premiums received	225,363	–	–	225,363	211,983	–	–	211,983
Claims and other directly attributable expenses paid	–	–	(176,639)	(176,639)	–	–	(167,320)	(167,320)
Insurance acquisition cash flows amortisation	(10,328)	–	–	(10,328)	(9,638)	–	–	(9,638)
Total cash flows	215,035	–	(176,639)	38,396	202,345	–	(167,320)	35,025
Net balance as at 31 December	632,927	7,299	377,846	1,018,072	596,096	5,623	351,938	953,657
Closing insurance contract liabilities	632,927	7,299	377,846	1,018,072	596,096	5,623	351,938	953,657
Closing insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 31 December	632,927	7,299	377,846	1,018,072	596,096	5,623	351,938	953,657

Reconciliation of the measurement components of insurance contract balances

	2023				2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract liabilities	910,191	24,787	18,679	953,657	915,161	24,585	9,682	949,428
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	910,191	24,787	18,679	953,657	915,161	24,585	9,682	949,428
Changes that relate to current or past service								
CSM recognised in profit or loss for the services provided	–	–	(30,537)	(30,537)	–	–	(18,150)	(18,150)
Change in the risk adjustment for non-financial risk for the risk expired	–	(9,145)	–	(9,145)	–	(9,036)	–	(9,036)
Experience adjustments	(619)	–	–	(619)	3,221	–	–	3,221
	(619)	(9,145)	(30,537)	(40,301)	3,221	(9,036)	(18,150)	(23,965)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(6,962)	88	6,874	–	(7,378)	(751)	8,129	–
Changes in estimates that result in onerous contract losses or reversal of losses	4,045	–	–	4,045	4,117	–	–	4,117
Contracts initially recognised in the period	(29,023)	9,497	28,467	8,941	(15,662)	8,197	17,782	10,317
	(31,940)	9,585	35,341	12,986	(18,923)	7,446	25,911	14,434
Changes that relate to past service – adjustments to the LIC	9,895	369	–	10,264	13,021	84	–	13,105
Insurance service result	(22,664)	809	4,804	(17,051)	(2,681)	(1,506)	7,761	3,574
Finance expenses/(income) from insurance contracts issued	46,315	866	757	47,938	(49,141)	912	988	(47,241)
Total amounts recognised in comprehensive income	23,651	1,675	5,561	30,887	(51,822)	(594)	8,749	(43,667)
Effect of movements in exchange rates	(4,580)	(293)	5	(4,868)	11,827	796	248	12,871
Cash flows								
Premiums received	225,363	–	–	225,363	211,983	–	–	211,983
Claims and other directly attributable expenses paid	(176,639)	–	–	(176,639)	(167,320)	–	–	(167,320)
Insurance acquisition cash flows	(10,328)	–	–	(10,328)	(9,638)	–	–	(9,638)
Total cash flows	38,396	–	–	38,396	35,025	–	–	35,025
Net balance as at 31 December	967,658	26,169	24,245	1,018,072	910,191	24,787	18,679	953,657
Closing insurance contract liabilities	967,658	26,169	24,245	1,018,072	910,191	24,787	18,679	953,657
Closing insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 31 December	967,658	26,169	24,245	1,018,072	910,191	24,787	18,679	953,657

The premium receivables balance forms part of the Liability for Remaining Coverage and the claims payable balance forms part of the Liability for Incurred Claims. Both balances form part of the Present Value of Future Cash Flows.

	PREMIUM RECEIVABLE		CLAIMS PAYABLE	
	2023	2022	2023	2022
Opening balance	23,240	23,731	3,496	4,313
Incurred	592,148	635,811	173,579	161,907
Received/paid	(595,047)	(639,946)	(171,086)	(162,937)
Foreign exchange movement	(341)	3,644	(41)	213
Closing balance	20,000	23,240	5,948	3,496

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Impact of contracts recognised in the year

	2023 Non-onerous contracts originated	2023 Onerous contracts originated	2023 Total	2022 Non-onerous contracts originated	2022 Onerous contracts originated	2022 Total
Estimates of the present value of future cash outflows						
– Insurance acquisition cash flows	6,922	5,017	11,939	4,275	5,529	9,804
– Claims and other directly attributable expenses	71,954	55,552	127,506	50,067	63,268	113,335
Estimates of the present value of future cash outflows	78,876	60,569	139,445	54,342	68,797	123,139
Estimates of the present value of future cash inflows	(111,774)	(56,694)	(168,468)	(74,706)	(64,095)	(136,936)
Risk adjustment for non-financial risk	4,431	5,066	9,497	2,582	5,615	8,197
CSM	28,467	–	28,467	17,782	–	17,782
Increase in insurance contract liabilities from contracts recognised in the period	–	8,941	8,941	–	10,317	10,317

Insurance revenue and the CSM by the transition method

	2023 Contracts measured under the fair value approach at transition	2023 New contracts	2023 Total	2022 Contracts measured under the fair value approach at transition	2022 New contracts	2022 Total
Insurance revenue	32,722	133,188	165,910	80,060	74,076	154,136
CSM as at 1 January	8,740	9,939	18,679	9,682	–	9,682
Changes that relate to current service:						
CSM recognised in profit or loss for the services provided	(5,683)	(24,854)	(30,537)	(10,211)	(7,939)	(18,150)
Changes that relate to future service:						
Changes in estimate that adjust the CSM	4,702	2,172	6,874	8,444	(315)	8,129
Contract initially recognised in the period	–	28,467	28,467	–	17,782	17,782
Finance (income)/expenses from insurance contracts issued	(87)	844	757	672	316	988
Total amounts recognised in comprehensive income	(1,068)	6,629	5,561	(1,095)	9,844	8,749
Foreign exchange movement	14	(9)	5	153	95	288
CSM as at 31 December	7,686	16,559	24,245	8,740	9,939	18,679

	2023	2022
Reinsurance contract reserves	296,752	265,804
Reinsurance payable	21,386	(83,717)
Reinsurance receivable	(81,335)	19,635
Reinsurance contract assets	236,803	201,722

Reinsurance contracts held

	2023			2022		
	Remaining coverage	Incurred claims	Total	Remaining coverage	Incurred claims	Total
Opening reinsurance contract assets	35,042	230,762	265,804	28,717	209,816	238,533
Opening reinsurance contract liabilities	–	–	–	–	–	–
Net balance as at 1 January	35,042	230,762	265,804	28,717	209,816	238,533
Net (expenses)/income from reinsurance contracts held						
Reinsurance expenses	(113,742)	–	(113,742)	(108,956)	–	(108,956)
Claims recovered	–	76,055	76,055	–	87,099	87,099
Changes that relate to past service – adjustments to incurred claims	–	13,093	13,093	–	12,514	12,514
Changes that relate to future service – changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	12,159	–	12,159	12,513	–	12,513
Effect of changes in the risk of reinsurers non-performance	(4)	(115)	(119)	(26)	(13)	(39)
Net (expenses)/income from reinsurance contracts held	(101,587)	89,033	(12,554)	(96,469)	99,600	3,131
Finance income/(expenses) from reinsurance contracts held	2,092	11,145	13,237	563	(30,133)	(29,570)
Total amounts recognised in comprehensive income	(99,495)	100,178	683	(95,906)	69,467	(26,439)
Foreign exchange movements	(340)	(3,683)	(4,023)	959	9,679	10,638
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses paid	102,137	–	102,137	101,272	–	101,272
Recoveries from reinsurance	–	(67,849)	(67,849)	–	(58,200)	(58,200)
Total cash flows	102,137	(67,849)	34,288	101,272	(58,200)	43,072
Net balance as at 31 December	37,344	259,408	296,752	35,042	230,762	265,804
Closing reinsurance contract assets	37,344	259,408	296,752	35,042	230,762	265,804
Closing reinsurance contract liabilities	–	–	–	–	–	–
Net balance as at 31 December	37,344	259,408	296,752	35,042	230,762	265,804

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Reconciliation of the measurement components of reinsurance contract balances

	2023				2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	235,586	18,238	11,980	265,804	210,930	17,100	10,503	238,533
Opening reinsurance contract liabilities	–	–	–	–	–	–	–	–
Net balance as at 1 January	235,586	18,238	11,980	265,804	210,930	17,100	10,503	238,533
Changes that relate to current service								
CSM recognised in profit or loss for the services received	–	–	(23,078)	(23,078)	–	–	(18,809)	(18,809)
Change in the risk adjustment for non-financial risk for the risk expired	–	(7,332)	–	(7,332)	–	(5,959)	–	(5,959)
Experience adjustments	(7,277)	–	–	(7,277)	2,911	–	–	2,911
	(7,277)	(7,332)	(23,078)	(37,687)	2,911	(5,959)	(18,809)	(21,857)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(450)	89	361	–	(958)	(890)	1,848	–
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	–	–	12,159	12,159	–	–	12,513	12,513
Contracts initially recognised in the period	(20,148)	6,449	13,699	–	(11,046)	6,459	4,587	–
	(20,598)	6,538	26,219	12,159	(12,004)	5,569	18,948	12,513
Changes that relate to past service – adjustments to incurred claims	12,267	826	–	13,093	12,235	279	–	12,514
Effect of changes in the risk of reinsurers non-performance	(119)	–	–	(119)	(39)	–	–	(39)
Net (expenses)/income from reinsurance contracts held	(15,727)	32	3,141	(12,554)	3,103	(111)	139	3,131
Finance income/(expenses) from insurance contracts issued	12,350	596	291	13,237	(31,316)	603	1,143	(29,570)
Total amounts recognised in comprehensive income	(3,377)	628	3,432	683	(28,213)	492	1,282	(26,439)
Foreign exchange movement	(3,712)	(241)	(70)	(4,023)	9,797	646	195	10,638
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	102,137	–	–	102,137	101,272	–	–	101,272
Recoveries from reinsurance	(67,849)	–	–	(67,849)	(58,200)	–	–	(58,200)
Total cash flows	34,288	–	–	34,288	43,072	–	–	43,072
Net balance as at 31 December	262,785	18,625	15,342	296,752	235,586	18,238	11,980	265,804
Closing reinsurance contract assets	262,785	18,625	15,342	296,752	235,586	18,238	11,980	265,804
Closing reinsurance contract liabilities	–	–	–	–	–	–	–	–
Net balance as at 31 December	262,785	18,625	15,342	296,752	235,586	18,238	11,980	265,804

	REINSURANCE RECEIVABLE		REINSURANCE PAYABLE	
	2023	2022	2023	2022
Opening balance	19,635	12,339	83,717	81,795
Incurred	83,882	70,732	118,169	113,804
Received	(81,973)	(64,077)	(119,158)	(116,330)
Foreign exchange movement	(158)	641	(1,393)	4,448
Closing balance	21,386	19,635	81,335	83,717

Impact of contracts recognised in the year

	2023			2022		
	Contracts originated not in a net gain	Contracts originated in a net gain	Total	Contracts originated not in a net gain	Contracts originated in a net gain	Total
Estimates of the present value of future cash inflows	42,527	39,658	82,185	34,225	43,947	78,172
Estimates of the present value of future cash outflows	(66,650)	(35,683)	(102,333)	(48,903)	(40,315)	(89,218)
Risk adjustment for non-financial risk	2,067	4,382	6,449	1,686	4,773	6,459
CSM	22,056	(8,357)	13,699	12,992	(8,405)	4,587

Reinsurance CSM by the transition method

	2023			2022		
	New contracts	Contracts measured under the fair value approach at transition	Total	New contracts	Contracts measured under the fair value approach at transition	Total
CSM as at 1 January	8,769	3,211	11,980	–	10,503	10,503
Changes that relate to current service:						
CSM recognised in profit or loss for the services provided	(19,923)	(3,155)	(23,078)	(6,464)	(12,345)	(18,809)
Changes that relate to future service:						
Changes in estimate that adjust the CSM	11,065	1,455	12,520	10,276	4,085	14,361
Contract initially recognised in the period	13,699	–	13,699	4,587	–	4,587
Finance income/(expenses) from reinsurance contracts held	427	(136)	291	296	847	1,143
Total amounts recognised in comprehensive income	5,268	(1,836)	3,432	8,695	(7,413)	1,282
Foreign exchange movement	(48)	(22)	(70)	74	121	195
CSM as at 31 December	13,989	1,353	15,342	8,769	3,211	11,980

Claims development

	Accident year 2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs (gross of reinsurance, undiscounted)						
At end of accident year	36,870	54,324	62,836	76,123	67,980	
1 year later	47,714	52,839	70,982	79,478	–	
2 years later	52,253	54,343	72,393	–	–	
3 years later	52,648	60,083	–	–	–	
4 years later	53,222	–	–	–	–	
5 years later	–	–	–	–	–	
Cumulative gross claims and other directly attributable expenses paid	(25,070)	(21,679)	(23,456)	(13,942)	(2,136)	
Gross cumulative claims liabilities – accident years from 2018 to 2023	28,152	38,404	48,937	65,536	65,844	246,873
Gross cumulative claims liabilities – prior accident years						180,928
Effect of discounting						(67,507)
Effect of the risk adjustment margin for non-financial risk						17,552
Gross LIC for the contracts originated						377,846

21 INSURANCE CONTRACT LIABILITIES CONTINUED

	Accident year 2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs (net of reinsurance, undiscounted)						
At end of accident year	6,867	11,718	11,923	13,551	13,504	
1 year later	6,533	10,857	10,806	11,824	–	
2 years later	7,000	10,353	9,827	–	–	
3 years later	6,103	10,899	–	–	–	
4 years later	6,130	–	–	–	–	
5 years later	–	–	–	–	–	
Cumulative net claims and other directly attributable expenses paid	(3,237)	(3,860)	(3,228)	(1,968)	(376)	
Net cumulative claims liabilities – accident years from 2018 to 2023	2,893	7,039	6,599	9,856	13,128	39,515
Net cumulative claims liabilities – prior accident years						79,655
Effect of discounting						(9,518)
Effect of the risk adjustment margin for non-financial risk						8,786
Net LIC for the contracts originated						118,438

Utmost Life and Pensions

	2023	2022
Insurance contract reserves	1,197,825	1,215,355
Claims payable	13,042	8,098
Insurance contract liabilities	**1,210,867**	**1,223,453**

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	2023 LRC Excluding loss component	2023 LRC Loss component	2023 LIC	2023 Total	2022 LRC Excluding loss component	2022 LRC Loss component	2022 LIC	2022 Total
Opening insurance contract liabilities	1,214,192	1,163	–	1,215,355	1,607,204	–	–	1,607,204
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	1,214,192	1,163	–	1,215,355	1,607,204	–	–	1,607,204
Insurance revenue	(79,134)	–	–	(79,134)	(71,225)	–	–	(71,225)
Insurance service expenses								
Incurred claims and other directly attributable expenses	–	(393)	63,284	62,891	–	–	51,262	51,262
Losses on onerous contracts and reversal of those losses	–	3,049	–	3,049	–	1,163	–	1,163
Insurance service expenses	–	2,656	63,284	65,940	–	1,163	51,262	52,425
Insurance service result	(79,134)	2,656	63,284	(13,194)	(71,225)	1,163	51,262	(18,800)
Finance expenses/(income) from insurance contracts issued	100,724	(3)	–	100,721	(283,912)	–	–	(283,912)
Total amounts recognised in comprehensive income	21,590	2,653	63,284	87,527	(355,137)	1,163	51,262	(302,712)
Investment components	(53,852)	–	53,852	–	(54,058)	–	54,058	–
Cash flows								
Premiums received	12,037	–	–	12,037	16,183	–	–	16,183
Claims and other directly attributable expenses paid	–	–	(117,136)	(117,136)	–	–	(105,320)	(105,320)
Total cash flows	12,037	–	(117,136)	(105,099)	16,183	–	(105,320)	(89,137)
Net balance as at 31 December	1,193,967	3,816	–	1,197,783	1,214,192	1,163	–	1,215,355
Closing insurance contract liabilities	1,194,009	3,816	–	1,197,825	1,214,192	1,163	–	1,215,355
Closing insurance contract assets	(42)	–	–	(42)	–	–	–	–
Net balance as at 31 December	1,193,967	3,816	–	1,197,783	1,214,192	1,163	–	1,215,355

Reconciliation of the measurement components of insurance contract balances

	2023				2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract liabilities	1,131,457	13,729	70,169	1,215,355	1,552,743	25,525	28,936	1,607,204
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	1,131,457	13,729	70,169	1,215,355	1,552,743	25,525	28,936	1,607,204
Changes that relate to current service								
CSM recognised in profit or loss for the services provided	–	–	(7,928)	(7,928)	–	–	(5,832)	(5,832)
Change in the risk adjustment for non-financial risk for the risk expired	–	(1,378)	–	(1,378)	–	(1,523)	–	(1,523)
Experience adjustments	(6,937)	–	–	(6,937)	(12,608)	–	–	(12,608)
	(6,937)	(1,378)	(7,928)	(16,243)	(12,608)	(1,523)	(5,832)	(19,963)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(29,626)	167	29,459	–	(34,397)	(10,695)	45,092	–
Changes in estimates that result in onerous contract losses or reversal of losses	3,049	–	–	3,049	1,163	–	–	1,163
Contracts initially recognised in the period	(630)	36	594	–	(1,585)	121	1,464	–
	(27,207)	203	30,053	3,049	(34,819)	(10,574)	46,556	1,163
Insurance service result	(34,144)	(1,175)	22,125	(13,194)	(47,427)	(12,097)	40,724	(18,800)
Finance expenses/(income) from insurance contracts issued	98,617	741	1,363	100,721	(284,722)	301	509	(283,912)
Total amounts recognised in comprehensive income	64,473	(434)	23,488	87,527	(332,149)	(11,796)	41,233	(302,712)
Cash flows								
Premiums received	12,037	–	–	12,037	16,183	–	–	16,183
Claims and other directly attributable expenses paid	(117,136)	–	–	(117,136)	(105,320)	–	–	(105,320)
Total cash flows	(105,099)	–	–	(105,099)	(89,137)	–	–	(89,137)
Net balance as at 31 December	1,090,831	13,295	93,657	1,197,783	1,131,457	13,729	70,169	1,215,355
Closing insurance contract liabilities	1,090,883	13,292	93,650	1,197,825	1,131,457	13,729	70,169	1,215,355
Closing insurance contract assets	(52)	3	7	(42)	–	–	–	–
Net balance as at 31 December	1,090,831	13,295	93,657	1,197,783	1,131,457	13,729	70,169	1,215,355

The claims payable balance forms part of the Liability for Incurred Claims and the Present Value of Future Cash Flows.

	CLAIMS PAYABLE	
£'000	2023	2022
Opening balance	8,098	9,921
Claims incurred	122,080	103,497
Claims paid	(117,136)	(105,320)
Closing balance	13,042	8,098

21 INSURANCE CONTRACT LIABILITIES CONTINUED

Reinsurance contracts held

	2023			2022		
	Remaining coverage	Incurred claims	Total	Remaining coverage	Incurred claims	Total
Opening reinsurance contract assets	232,685	–	232,685	335,007	–	335,007
Opening reinsurance contract liabilities	(27,627)	–	(27,627)	(44,595)	–	(44,595)
Net balance as at 1 January	205,058	–	205,058	290,412	–	290,412
Net (expenses)/income from reinsurance contracts held						
Reinsurance expenses	(45,754)	–	(45,754)	(45,148)	–	(45,148)
Claims recovered	–	36,837	36,837	–	39,053	39,053
Changes that relate to future service – changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	(84)	–	(84)	176	–	176
Effect of changes in the risk of reinsurers non-performance	219	–	219	2,398	–	2,398
Net (expenses)/income from reinsurance contracts held	(45,619)	36,837	(8,782)	(42,574)	39,053	(3,521)
Finance income/(expenses) from reinsurance contracts held	20,649	–	20,649	(70,957)	–	(70,957)
Total amounts recognised in comprehensive income	(24,970)	36,837	11,867	(113,531)	39,053	(74,478)
Investment components	(1,325)	1,325	–	(2,676)	2,676	–
Other changes	–	–	–	(2)	–	(2)
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses paid	29,375	–	29,375	30,855	–	30,855
Recoveries from reinsurance	–	(38,162)	(38,162)	–	(41,729)	(41,729)
Total cash flows	29,375	(38,162)	(8,787)	30,855	(41,729)	(10,874)
Net balance as at 31 December	208,138	–	208,138	205,058	–	205,058
Closing reinsurance contract assets	237,986	–	237,986	232,685	–	232,685
Closing reinsurance contract liabilities	(29,848)	–	(29,848)	(27,627)	–	(27,627)
Net balance as at 31 December	208,138	–	208,138	205,058	–	205,058

Reconciliation of the measurement components of reinsurance contract balances

	2023				2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	191,775	4,923	35,987	232,685	317,735	8,040	9,232	335,007
Opening reinsurance contract liabilities	(37,850)	3,751	6,472	(27,627)	(59,715)	7,204	7,916	(44,595)
Net balance as at 1 January	153,925	8,674	42,459	205,058	258,020	15,244	17,148	290,412
Changes that relate to current service								
CSM recognised in profit or loss for the services received	–	–	(4,265)	(4,265)	–	–	(2,853)	(2,853)
Change in the risk adjustment for non-financial risk for the risk expired	–	(653)	–	(653)	–	(750)	–	(750)
Experience adjustments	(3,999)	–	–	(3,999)	(2,492)	–	–	(2,492)
	(3,999)	(653)	(4,265)	(8,917)	(2,492)	(750)	(2,853)	(6,095)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(19,791)	192	19,599	–	(21,722)	(6,030)	27,752	–
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	–	–	(84)	(84)	–	–	176	176
	(19,791)	192	19,515	(84)	(21,722)	(6,030)	27,928	176
Changes that relate to past service								
Effect of changes in the risk of reinsurers non-performance	219	–	–	219	2,398	–	–	2,398
Net (expenses)/income from reinsurance contracts held	(23,571)	(461)	15,250	(8,782)	(21,816)	(6,780)	25,075	(3,521)
Finance income/(expenses) from insurance contracts issued	19,450	486	713	20,649	(71,403)	210	236	(70,957)
Total amounts recognised in comprehensive income	(4,121)	25	15,963	11,867	(93,219)	(6,570)	25,311	(74,478)
Other changes	–	–	–	–	(2)	–	–	(2)
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	29,375	–	–	29,375	30,855	–	–	30,855
Recoveries from reinsurance	(38,162)	–	–	(38,162)	(41,729)	–	–	(41,729)
Total cash flows	(8,787)	–	–	(8,787)	(10,874)	–	–	(10,874)
Net balance as at 31 December	141,017	8,699	58,422	208,138	153,925	8,674	42,459	205,058
Closing reinsurance contract assets	183,888	5,022	49,076	237,986	191,775	4,923	35,987	232,685
Closing reinsurance contract liabilities	(42,871)	3,677	9,346	(29,848)	(37,850)	3,751	6,472	(27,627)
Net balance as at 31 December	141,017	8,699	58,422	208,138	153,925	8,674	42,459	205,058

22 DEFERRED FRONT END FEES

The movement in value over the year is summarised below:

	2023 £'000	Restated* 2022 £'000
At 1 January	76,328	61,125
Fees received and deferred during the year	13,971	17,644
Recognised in contract fees and other movements during the year	(6,778)	(4,915)
Foreign exchange movements	(1,065)	2,474
	82,456	76,328
Current (within 12 months)	3,610	3,012
Non-current (after 12 months)	78,846	73,316
	82,456	76,328

* See note 2.1.1 for details of the restatement of comparative information.

23 BORROWINGS

	2023 £'000	2022 £'000
Loan principal	400,000	400,000
Loan accrued interest	710	710
	400,710	400,710

Payable within one year	710	710
Payable after more than one year	400,000	400,000
	400,710	400,710

On 15 September 2021 Utmost Group plc issued £400,000k of Tier 2 loan notes maturing in December 2031, listed on the Global Exchange Market in Ireland. The interest rate on the Tier 2 loan notes is 4% with interest repayments in June and December. The fair value of the Tier 2 loan notes as at 31 December 2023 is £313,556k (2022: £299,988k).

24 DEFERRED TAX ASSETS AND LIABILITIES

A deferred tax asset of £2,268k (2022: £1,740k) is recognised because it is considered probable from projections that future taxable profits will be available against which this temporary difference can be utilised.

	2023 £'000	Restated* 2022 £'000
Deferred tax assets	2,268	1,740

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

	2023 £'000	Restated* 2022 £'000
Balance as at 1 January	1,740	362
Deferred tax credit for the year	528	1,378
Balance as at 31 December	2,268	1,740

	2023 £'000	2022 £'000
Deferred tax liability	42,166	41,500

The deferred tax liability arises on the acquisitions of Quilter International (£4,357k), UPE (£22,443k), Utmost Worldwide (£850k) and ELAS and RMIS (£14,516k), representing the associated tax impact of recognising the AVIF asset detailed in note 11 and the gain on bargain purchase on the acquisitions of ELAS and RMIS. It is expected that the tax liability will be paid as future profits emerge from the in-force business.

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

	2023 £'000	Restated* 2022 £'000
Balance as at 1 January	41,500	58,901
Deferred tax charge/(credit) for the year	1,102	(19,483)
Foreign exchange movement	(436)	2,082
Balance as at 31 December	42,166	41,500

* See note 2.1.1 for details of the restatement of comparative information.

25 OTHER PAYABLES

	2023 £'000	Restated* 2022 £'000
Tax payable – policyholders	2,168	4,615
Corporation tax payable	2,867	5,698
Premiums received in advance of policy issue	49,485	57,278
Amounts due to investment contract holders	155,716	214,574
Investment dealing creditors	12,545	6,224
Lease liability	10,878	29,110
Other creditors and accruals	87,322	97,712
	320,981	415,211

* See note 2.1.1 for details of the restatement of comparative information.

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

	2023 £'000	2022 £'000
Opening amount	29,110	25,373
Additions	766	6,969
Disposals	(16,113)	–
Interest charge in the year (note 9)	862	1,281
Lease payments made in the year	(3,839)	(4,902)
Foreign exchange movements	92	389
	10,878	29,110
Current (within 12 months)	3,317	2,977
Non-current (after 12 months)	7,561	26,133
	10,878	29,110

26 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY/SHARE PREMIUM

	2023 Number	2022 Number
Allotted, called up and fully paid		
Ordinary shares of £1 each	392,500,000	392,500,000
	£'000	£'000
Ordinary shares of £1 each	392,500	392,500
	392,500	392,500

The movements in the year were as follows:

	Ordinary No. of shares 2023	Ordinary No. of shares 2022
At beginning of the year	392,500	392,500
Issued during the year	–	–
Redeemed during the year	–	–
At end of financial year	392,500	392,500

26 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY/SHARE PREMIUM CONTINUED

Restricted Tier 1 Loan Notes

	2023 £'000	2022 £'000
Restricted Tier 1 notes	297,600	297,600
	297,600	297,600

The Group undertook an issuance of £300m of 6.125% perpetual Restricted Tier 1 ("RT1") notes with a first call date of 15 December 2028 in January 2022. The net proceeds of the RT1 issuance were £296m. The RT1 notes are listed on the Global Exchange Market in Ireland. The notes meet the definition of equity under IFRS as the RT1 notes have no fixed maturity date and interest is payable only at the sole and absolute discretion of the Group. Interest repayments are in June and December and are debited to retained earnings. The interest payments for 2023 (net of tax relief) are £14,057k (2022: £13,783k).

27 FOREIGN CURRENCY TRANSLATION RESERVE

	2023 £'000	Restated* 2022 £'000
At beginning of the year	6,082	(7,790)
Foreign currency translation movements in the year	(5,073)	13,872
At end of year	1,009	6,082

* See note 2.1.1 for details of the restatement of comparative information.

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

28 CASH FLOW STATEMENT

	2023 £'000	Restated* 2022 £'000
Profit/(loss) before taxation	60,725	(6,570)
Non-cash movements		
Amortisation of AVIF	122,956	141,961
(Reversal of impairment)/impairment of AVIF	(8,421)	8,421
Depreciation of property, plant and equipment	5,698	6,558
Amortisation of intangible assets	195	195
Finance costs	17,376	17,783
Change in working capital		
Movement in investment contract and insurance contract liabilities, net of policyholder claims	3,217,603	(6,468,889)
Net movement in financial assets	(3,139,837)	6,510,921
Change in other working capital items	(30,487)	53,308
Tax paid	(454)	(13,906)
Net cash flows from operating activities	245,354	249,782

* See note 2.1.1 for details of the restatement of comparative information.

29 RISK MANAGEMENT

The identification, measurement and management of risk is a priority for the Group. Consequently the Board of directors has established a comprehensive framework covering accountability, oversight, measurement and reporting to ensure maintenance of sound systems of internal control and risk management to ensure the Group operates within its risk appetite. Risk appetite is a measure of the amount and type of risks the Group is willing to accept in pursuit of its objectives. It seeks to encourage a measured and appropriate approach to risk to ensure risks are understood and aligned to the business strategy and objectives.

Governance structure

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

From October 2021, the UGP Audit, Risk and Compliance Committee ("ARCC") is responsible for making recommendations to the UGP Board on the appointment of auditors and the audit fee, ensuring that the financial performance of the Company is properly monitored and reported on and reviewing the Company's financial statements and any formal statements on financial performance as well as reports from the Company's auditors on those financial statements. In addition, the ARCC will review the Company's internal control and risk management systems to assist the UGP Board in fulfilling its responsibilities relating to the effectiveness of those systems. The ARCC will meet at least four times a year, or more frequently if required.

The Utmost Group Board is responsible for identifying and articulating the risk appetite of the Group which is expressed and managed through the Risk Appetite Statement. The Risk Appetite Statement is reviewed annually by the Board and circulated to the subsidiary operating businesses.

SUBSIDIARY BOARD COMMITTEES

The Audit Committees are responsible for reviewing the appropriateness and completeness of the systems of internal control. The Audit Committees also review the annual financial statements, consider the significant financial reporting issues and judgements which they contain and make recommendations to the subsidiary boards concerning their content and approval. The Risk and Compliance Committees are responsible for the review and oversight of the risk and compliance profile of the relevant operating business within the context of the determined risk appetite. The Remuneration Committees are responsible for overseeing the appointment of new directors to the subsidiary boards, and formal, fair and impartial determination of remuneration of executive directors to ensure the long-term success of each operating business within the Group. The Investment Committees are responsible for the overall asset management strategy and policies of each operating business and for identifying, monitoring, reporting, and controlling the risks connected with investment activities and approving changes to specific investments and changes to appetite or tolerances. The UPE Banking Committee is responsible for the opening and closure of all master Custodian and Corporate bank accounts and for the review and approval of appointments to the authorised signatory list and their levels of authorisation.

The ULP With-Profits Committee ("WPC") has delegated responsibility to act in an advisory capacity to inform decision-making by the ULP Board in relation to the management of ULP's With-Profits Sub-Funds ("WPSFs"), including the way in which each of the WPSFs is managed by ULP including adherence to the Principles and Practices of Financial Management ("PPFM") and the future distribution of surplus in the WPSFs. The WPC pays close regard to policyholders' reasonable expectations and ensures that principles of Treating Customers Fairly are followed. The principal risks faced by the Group are financial and insurance risks, operational and compliance risk, risks directly related to execution of business strategy, including the distribution of products and acquisition and integration of other businesses, and strategic and external environment factors. Existing or potential future risk exposures are investigated in a structured way, using internal and external resources and actions to mitigate, contain or remove these risks are taken.

Insurance risk

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

- Expenses – Policies cost more to administer than expected;
- Lapses – An adverse movement in either surrender rates or persistency rates on policies with guaranteed benefits leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs;
- Mortality/longevity – Higher than expected death claims on assurance products and payments for a longer duration for annuity products;
- Claims – Higher than expected claims on short-term insurance contracts; and
- Options and guarantees – Higher than expected take-up rate on options or guarantees that are in the money.

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. The Group estimates an adjustment for non-financial risk separately from all other estimates. The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The provision for adverse deviation method was used to derive the overall risk adjustment for non-financial risk where a simultaneous stress is applied to non-financial risks and the risk adjustment is equal to the resulting change in the present value of future cash flows. The resulting amount of the calculated risk adjustment corresponds to the confidence level of 82% (2022 – 83%).

Illustrative results of sensitivity testing for the Group for certain economic and non-economic assumptions are set out below. For each sensitivity test the impact of a reasonably possible change in a single assumption is shown, with other assumptions left unchanged.

EXPENSE RISK

Expense risk is the risk that actual expenses of the Group differ from the levels expected and allowed for within the pricing and reserving process. Expenses are reviewed annually in light of experience and any changes to the market rate of inflation. The following table details the impact to the Group if expenses were to increase by 5%:

	Profit before tax	Equity
2023	**(3,849)**	**(3,396)**
2022	(3,811)	(3,314)

29 RISK MANAGEMENTS CONTINUED

LAPSE AND CLAIM RATES

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

The following table details the impact to the Group if a 20% mass lapse were to occur:

	Profit before tax	Equity
2023	**3,395**	**4,724**
2022	(18,314)	(16,613)

MORTALITY AND LONGEVITY RATES

Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, group experience and forecast changes in future mortality. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity.

A 10% reduction in the mortality base tables has been estimated to have the below impacts:

	Profit before tax	Equity
2023	**5,683**	**5,109**
2022	5,534	5,056

A 10% increase in mortality has been estimated to have the below impacts:

	Profit before tax	Equity
2023	**(6,049)**	**(5,391)**
2022	(6,231)	(5,728)

POLICYHOLDER OPTIONS AND GUARANTEES

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

VALUATION OF NON-LIFE INSURANCE CONTRACTS

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

OBJECTIVES AND POLICIES FOR MITIGATING INSURANCE RISK

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

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

REINSURANCE

The Group is exposed to credit risk as a result of insurance risk transfer contracts with reinsurers. This also gives rise to concentration of risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. At both 2023 and 2022 year-end positions, the Group's material reinsurance counterparties have a credit rating of either AA- or A-.

DISCRETIONARY PARTICIPATING BONUS RATE

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

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

ULP's with-profits provisions exclude future final bonuses because these are not guaranteed. The excess of assets over liabilities in the with-profits funds shall be used to enhance the bonuses in these funds.

Insurance risk by product

Of the insurance business which is not reinsured, the most material blocks of business are the annuities sold by UW and ULP for which specific risks are disclosed and sensitivities provided in the annuity products section below.

The Group also has material protection business for which the principal risks are disclosed below, however, we note that a reasonable change in any of the underlying assumptions used in determining the liability would not lead to a material change in net assets due to significant reinsurance.

As detailed in the insurance contracts accounting policy, the deposit administration business is classified as insurance business as no market value adjustment is applied on the death of a policyholder. Impacts on this product are limited to non-unit reserves which reflect fees less expenses and as such this business is not materially sensitive to changes in underlying assumptions.

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

The carrying amount of the Group's insurance contracts are analysed by type of product below:

	2023	2022
Unit-linked	5,560,056	5,066,958
Annuities	558,605	589,164
Retirement and savings	1,099,235	1,076,034
Life and disability	308,093	272,861
Other	86,840	97,971
Total	7,612,829	7,102,988

ANNUITY PRODUCTS

The Group has books of annuity business in UW and ULP for which the principal risk is longevity. Benchmarking is used to maintain provisions in line with up-to-date developments in life expectancy for the types of lives covered. Assets are closely matched to the liabilities to hedge the Group against interest rate risk for this class of business.

WITH-PROFIT BUSINESS (UNITISED)

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

PROTECTION

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

29 RISK MANAGEMENTS CONTINUED

Market risk

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

Unit-linked funds

Assets held on behalf of policyholders are subject to market risk, including price and foreign exchange risk, credit risk, liquidity risk and funding risk. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities. The Group's exposure to market risk on unit-linked funds is limited to the extent that income arising from asset management charges in certain funds, and its ability to collect that income, is based on the cash flows arising and the value of the assets in the fund, and to changes in the value of any units in funds the Group may hold. In many funds the asset management charge is based on the higher of premiums paid or fund value, further limiting this risk.

Equity price risk

The following table details the impact to the Group if a 10% increase in equity prices were to occur:

	Profit before tax	Equity
2023	**989**	**901**
2022	(4,408)	(4,140)

The following table details the impact to the Group if a 10% decrease in equity prices were to occur:

	Profit before tax	Equity
2023	**(2,851)**	**(2,603)**
2022	4,410	4,141

Interest rate risk

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

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

The following table details the impact to the Group if a 1% increase in interest rates were to occur:

	Profit before tax	Equity
2023	**(4,550)**	**(7,289)**
2022	(6,088)	(8,367)

The following table details the impact to the Group if a 1% decrease in interest rates were to occur:

	Profit before tax	Equity
2023	**1,917**	**4,715**
2022	1,433	3,959

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

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

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

Currency risk

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

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

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

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

The following table details the impact to the Group if a 20% increase in exchange rates were to occur:

	Profit before tax	Equity
2023	**38,961**	**28,390**
2022	38,801	27,694

The following table details the impact to the Group if a 20% decrease in exchange rates were to occur:

	Profit before tax	Equity
2023	**(46,723)**	**(35,218)**
2022	(45,292)	(33,544)

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

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group has established a Credit and Liquidity Policy and has set out its risk appetite to maintain its assets in institutions and instruments with strong credit ratings. Operating businesses have local credit risk policies in place, aligned to the Group risk appetite, and monitor exposure to credit risk on an ongoing basis. Investment guidelines for each subsidiary are subject to approval by the relevant Investment Committee and/or Board, as appropriate.

There are two principal sources of credit risk for the Group:

- Credit risk which results from direct investment activities, including investments in fixed and variable rate income securities, derivatives, collective investment schemes, hedge funds and the placing of cash deposits and credit risk arising through unit-linked funds.
- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance, and the lending of securities.

Credit risk is managed by the monitoring of Group exposures to individual counterparties and by appropriate credit risk diversification. The operating businesses manage the level of credit risk they accept through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives.

CREDIT RISK CONCENTRATIONS

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

The Investment Committee for each operating business is responsible for setting an Investment Policy that formalises risk limits around counterparty exposure and the types of investments that the business can invest in, to prevent undue concentration or credit risk. In the Isle of Man business a minimum of five deposit takers must be used at any one point in time and no single deposit can exceed £10 million. Moreover, the minimum acceptable credit rating for all counterparties as set out in the Investment Policy is Standard & Poor's BBB or Moody's Baa. In Ireland, all bonds must be investment grade, and no more than 5% of each rating can be invested in non-government bonds. All risk limits are monitored through the respective Investment Committees to ensure adherence with those limits. In Guernsey the Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to differently rated debt securities. The Investment Committee carries out monitoring of adherence to the guidelines.

29 RISK MANAGEMENTS CONTINUED

In the UK ULP manages credit risk by setting and monitoring appropriate risk appetite limits, monitoring the amount of economic capital it holds, asset optimisation and collateral arrangements. The Group is also exposed to concentration risk with outsourced service providers. This is due to the nature of the outsourced services market. The Group operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by subsidiary executive committees and measured through stress and scenario testing.

The maximum exposure to credit risk before any credit enhancements at 31 December 2023 and 31 December 2022 is the carrying amount of the financial assets detailed in the shareholder-backed assets credit rating table below.

SHAREHOLDER-BACKED ASSETS

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

2023 £'000	AAA	AA	A	BBB	B	Non-Rated	Total
Cash and cash equivalents	271,783	26,006	168,156	–	502	3,069	469,516
Deposits	–	–	26,886	–	–	–	26,886
Other receivables	211	2,338	44,545	4,060	617	243,023	294,794
Withholding tax asset	–	–	–	94,805	–	–	94,805
Other investments:							
Debt securities	246,777	567,340	250,628	218,378	–	2,020	1,285,143
Total	518,771	595,684	490,215	317,243	1,119	248,112	2,171,144

2022 £'000	AAA	AA	A	BBB	B	Non-Rated	Total
Cash and cash equivalents*	–	240,300	157,850	61,596	–	7,528	467,274
Deposits*	–	8,160	104,504	1,780	–	–	114,444
Other receivables*	201	2,251	17,644	11,043	–	286,412	317,551
Withholding tax asset	–	–	–	108,932	–	–	108,932
Other investments:							
Debt securities	273,837	620,338	264,311	197,728	–	869	1,357,083
Total	274,038	871,049	544,309	381,079	–	294,809	2,365,284

Maturity analysis

31 DECEMBER 2023	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Financial investments	61,242,021	535,162	479,903	584,702	59,642,254
Cash and cash equivalents	469,516	469,516	–	–	–
Deposits	26,886	26,886	–	–	–

31 DECEMBER 2023	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Investment contract liabilities	54,116,049	–	–	–	54,116,049
Borrowings	400,710	710	–	400,000	–

31 DECEMBER 2022	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Financial investments*	58,481,671	476,884	536,211	567,209	56,901,367
Cash and cash equivalents*	467,274	467,274	–	–	–
Deposits*	114,444	114,444	–	–	–

31 DECEMBER 2022	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Investment contract liabilities	51,872,159	–	–	–	51,872,159
Borrowings	400,710	710	–	400,000	–

* See note 2.1.1 for details of the restatement of comparative information.

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

31 DECEMBER 2023	Total £'000	1 year £'000	2 years £'000	3 years £'000	4 years £'000	5 years £'000	>5 years £'000
Insurance contract liabilities (PVFCF)	7,612,829	1,126,023	574,634	569,613	524,160	472,850	4,345,549
Reinsurance contract liabilities (PVFCF)	44,422	1,962	2,435	2,462	2,484	2,495	32,584

31 DECEMBER 2022	Total £'000	1 year £'000	2 years £'000	3 years £'000	4 years £'000	5 years £'000	>5 years £'000
Insurance contract liabilities (PVFCF)	7,102,988	1,123,813	569,965	523,051	513,945	464,981	3,907,233
Reinsurance contract liabilities (PVFCF)	38,945	1,681	2,195	2,182	2,162	2,142	28,583

The above maturity analyses are presented on a present value cash flow basis.

The majority of the Group's insurance contract liabilities are unit-linked insurance contracts and these contracts may be surrendered or transferred on demand and therefore have a minimum contractual maturity of 0-1 years.

Operational and Compliance risk

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

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

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

CYBER RISK

The Group mitigates cyber risk through ongoing internal reviews of internal systems and access controls and ongoing monitoring of regulatory changes including those related to General Data Protection Regulation.

OUTSOURCING AND THIRD-PARTY SUPPLY CHAIN RISK (INCLUDING CLOUD PROVIDERS)

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

COMPLIANCE RISK

Regulatory compliance risk primarily arises from a failure or inability to comply fully with the laws, regulations, standards or codes applicable to the business activities, and territories, of Group and its subsidiaries. Any non-compliance may result in the Group being subject to regulatory sanctions, material financial loss or damage reputation. Changes in legislation or regulatory interpretation applying to the life assurance industry may adversely affect the Group's capital requirements and, consequently, reported results and financing requirements.

TAXATION RISK

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

Business and Other risks

ACQUISITION & INTEGRATION RISK

These are the risks that the Group is exposed to through execution of its business strategy, in its chosen markets. The particular business risks faced by the Group at this time surround the dual challenges of managing the existing business whilst seeking to execute transactions to acquire, integrate and manage new acquired life funds. As part of the strategy to grow through acquisition, the Group is exposed to the risk that it does not complete effective due diligence and is then exposed to the financial risks in completing the transaction and managing the business. All acquisitions are subject to detailed due diligence supported by independent professional subject matter experts and are then subject to scrutiny and approved by the Board. In addition, the Group is exposed to the risk of failing to integrate and successfully restructure the businesses it has acquired.

29 RISK MANAGEMENTS CONTINUED

Distribution Risk

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

Climate Risk

DEFINITION

The decarbonisation of the global economy as it transitions towards net zero poses a number of risks and opportunities to the Group. The Group is exposed to physical climate impacts, low carbon transition risks and potential opportunities. Climate risk can arise from:

PHYSICAL RISK

Disruptions and damage to operations due to extreme weather events and chronic changes including temperature rises, increased energy consumption and impacts on mortality and morbidity.

TRANSITION RISK

The transition to a net zero economy presents financial risks which can arise from a range of factors, including changes in policy, regulation, technology and customer sentiment. Climate-related metrics are being used to understand, assess and disclose the Group's exposure to these risks and potential impacts on asset valuations.

LIABILITY RISK

Climate-related liability risks may arise directly or indirectly from the actions taken by firms in relation to climate change. These may crystalise where a perceived lack of action or lack of appropriate disclosures result in claims or legal action from external stakeholders. These risks will crystalise in full over a longer-term time horizon. The impacts of these risks are apparent now and becoming more severe with time. The Group treats these risks as cross-cutting risks given they have the potential to manifest through a number of principal risk types within the Group's ERM Framework.

MITIGATION

A Climate Risk Framework has been adopted across the Group to embed climate risk considerations in day-to-day processes.

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

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

30 FAIR VALUE DISCLOSURES

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

In accordance with IFRS 13, the Group has applied the fair value hierarchy classification to all assets and liabilities measured at fair value. This requires the Group to classify such assets and liabilities according to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments:
- Level 1: Fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value measurements derived using significant assumptions that are unobservable. Includes valuations for assets that are not based on observable market data (unobservable inputs) or where only stale prices are available.

Level 1 financial instruments are mainly equity securities listed on a recognised stock exchange and collective investment schemes in active markets.

Level 2 financial instruments are mainly listed corporate bonds, medium term notes, collective investment schemes, external life funds and managed portfolios with other than daily dealing frequencies. These have generally been classified as level 2 as the prices provided by the third party sources do not meet the definition of level 1 as they include inputs which are not quoted market prices in active markets.

Level 3 financial instruments include interests in private company shares and other investment funds that are illiquid, have been suspended or are in liquidation.
Investments are transferred from level 1 to level 2 and vice versa when dealing/pricing frequencies change. Transfers into level 3 occur when an equity or collective investment scheme is suspended or enters liquidation, as notified by its fund administrator or investment manager. Transfers out of level 3 occur when such suspension is lifted, as notified by the fund administrator or investment manager.

A proportion of the assets are valued at a fair value derived using unobservable level 3 inputs. The majority of these are valued using valuations obtained from external parties which are reviewed internally to ensure they are appropriate. The Group has limited access to the key assumptions and data underlying these valuations and most of these investments are in hedge funds, collective investment schemes, suspended funds or funds in liquidation. The level 3 assets shown below are primarily unit-linked assets backing policyholder liabilities, and as such there is minimal exposure of the Group to changes in the valuation of these assets. These level 3 assets are valued using the latest available net asset value statement.

31 DECEMBER 2023	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets				
– Financial assets held at fair value to cover linked liabilities	59,642,254	44,028,903	13,162,782	2,450,569
– Debt securities – fair value through profit and loss	1,158,637	756,207	402,430	–
– Debt securities – fair value through other comprehensive income	126,198	126,198	–	–
– Other assets at fair value	314,920	169,266	140,253	5,401
– Investment property	5,700	–	–	5,700
	61,247,709	45,080,574	13,705,465	2,461,670
Total assets not at fair value	2,668,840			
Total assets per Statement of Financial Position	63,916,549			
Investment contract liabilities	54,116,049	–	51,665,480	2,450,569

31 DECEMBER 2022	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets				
– Financial assets held at fair value to cover linked liabilities*	56,901,367	41,534,803	12,897,383	2,469,181
– Debt securities – fair value through profit and loss*	1,192,660	793,346	399,314	–
– Debt securities – fair value through other comprehensive income	154,966	154,966	–	–
– Other assets at fair value*	223,689	109,850	109,588	4,251
	58,472,682	42,592,965	13,406,285	2,473,432
Total assets not at fair value*	2,878,960			
Total assets per Statement of Financial Position	61,351,642			
Investment contract liabilities*	51,872,159	–	49,402,978	2,469,181

* See note 2.1.1 for details of the restatement of comparative information.

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

	Financial assets held at fair value through profit and loss £'000
Balance at 1 January 2022	1,795,945
Transfers into level 3	798,003
Transfers out of level 3	(37,521)
Total losses	(70,722)
Disposals	(21,903)
Foreign exchange movements	9,630
Balance at 31 December 2022	2,473,432
Additions	66,861
Transfers into level 3	268,939
Transfers out of level 3	(285,746)
Total gains	179,360
Disposals	(236,026)
Foreign exchange movements	(5,150)
Balance at 31 December 2023	2,461,670

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

99.5% (2022: 99.8%) of the Group's level 3 financial assets are held to back unit-linked business. As such, movements in the fair value of those assets will typically be offset by corresponding movements in investment contract liabilities with no direct impact to the profit or equity of the Group. The other investments at fair value in level 3 relates to an unlisted equity investment in a private limited company. This investment is valued using the latest available net asset statement and a 10% increase in the net asset value of this investment would increase its fair value by £540k (2022: £425k). A decrease of 10% in the net asset value would have an equal but opposite impact on the fair value.

31 CAPITAL MANAGEMENT

It is the Group's policy to maintain a strong capital base in order to meet its obligations. The Group's capital resources and capital requirements are regularly monitored by the Board. The Group's policy is to at all times hold the higher of:
– the Group's internal assessment of the capital required; and
– the capital requirement of the relevant supervisory body.

The Group's policy is to maintain a Solvency Coverage Ratio (representing the ratio of Own Funds/Solvency Capital Requirement) of at least 135% at all times, and at least 150% immediately after the payment of a dividend. For Utmost International Isle of Man Limited the corresponding ratios are 125% at all times and 150% immediately after the payment of a dividend. The Group monitors capital on a Solvency UK basis, and in accordance with local regulatory requirements. The Group as a whole is subject to full group regulation by the Prudential Regulation Authority. As at 31 December 2023 the Group's Solvency Coverage Ratio was 208% (2022: 191%). The Group has complied at all times through the year with its capital requirements.

Entities within the Group which are regulated as at 31 December 2023 are as follows:
– Utmost Limited, Utmost International Isle of Man Limited, Utmost Trustees Solutions Limited, Utmost Administration Limited, Utmost International Business Services Limited and Utmost International Trust Company Limited are regulated by the Isle of Man Financial Services Authority.
– Utmost PanEurope dac is regulated by the Central Bank of Ireland.
– Utmost Bermuda Limited is regulated by the Bermuda Monetary Authority.
– Utmost Worldwide Limited and Utmost Portfolio Management Limited are regulated by the Guernsey Financial Services Commission.
– Utmost Life and Pensions Limited and the Equitable Life Assurance Society are regulated by the Prudential Regulation Authority and the Financial Conduct Authority.
– Utmost International Distribution Services Limited is regulated by the Financial Conduct Authority.

The local branches of Utmost Worldwide Limited and Utmost International Isle of Man Limited are subject to local regulation in the countries in which they operate.

32 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

The immediate parent company is Utmost Holdings (Guernsey) Limited, a company incorporated in Guernsey.

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

33 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

The following disclosures are in accordance with the provisions of IAS 24 Related Party Disclosures, in respect of the compensation of Key Management Personnel. Under IAS 24, Key Management Personnel are defined as comprising executive and non-executive directors together with senior executive officers.

	Directors' salaries & short-term benefits £'000	Post employment benefits £'000	Total £'000
2023	**2,742**	**231**	**2,973**
2022	2,471	220	2,691

The highest paid director received £1,431k (2022: £1,278k).

Transactions with related parties

The Group has holdings in the European Senior Loan Fund of a related party Oaktree as detailed in note 15. As detailed in the Corporate Governance Report, the controlling party of the Group is owned by a number of funds managed by Brookfield Oaktree Holdings LLC.

34 DIRECTORS' AND SECRETARY'S INTERESTS

At 31 December 2023 and 31 December 2022 the Secretary had no beneficial interests in the shares of any Group company. The directors' interests in the Company's parent company held directly, through personal investment vehicles and Family Trusts are detailed below:

31 DECEMBER 2023	Paul Thompson	Ian Maidens
Utmost Topco Limited – C ordinary shares of £1 each	**2,530**	**2,530**
Utmost Topco Limited – D ordinary shares of £1 each	**5,000**	**5,000**
Utmost Topco Limited – Non-voting S ordinary shares of £1 each	**50**	**50**
Utmost Topco Limited – Non-voting GBP preference shares of £1 each	**16,081,049**	**16,081,049**

31 DECEMBER 2022	Paul Thompson	Ian Maidens
Utmost Topco Limited – C ordinary shares of £1 each	2,530	2,530
Utmost Topco Limited – D ordinary shares of £1 each	5,000	5,000
Utmost Topco Limited – Non-voting S ordinary shares of £1 each	50	50
Utmost Topco Limited – Non-voting GBP preference shares of £1 each	20,595,324	20,595,324

35 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings £'000
2023	
As at 1 January	**400,710**
Cash flows:	
Interest accrued	**16,000**
Interest paid	**(16,000)**
As at 31 December	**400,710**
2022	
As at 1 January	404,690
Cash flows:	
Interest accrued	16,000
Interest paid	(19,980)
As at 31 December	400,710

36 CONTINGENT LIABILITIES

The Group is involved in defending two legal cases on which further disclosure is considered appropriate.

The first of these was served in the Isle of Man Court in July 2020 under which a number of claimants are seeking to recover investment losses relating to a limited number of specified funds which they had requested their insurance policies to be linked to. The claims have been jointly issued against Utmost and another insurer. The claims are broadly based on allegations that: (a) the Group made a series of implied representations about the level of investment risk to which the claimants were exposed; and (b) the Group had a duty of care to perform due diligence in respect of the investments in question. The proceedings concern claims being brought by over 400 individuals and corporate entities. The total value of the claims pursued is understood to be approximately £65m including interest. Four test claims are listed for a preliminary trial starting in April 2024 which is scheduled for around 8 weeks. The remainder of the claims against the Group are stayed pending the outcome of the trial. Depending on the outcome of the preliminary trial a further trial hearing could be required before the outcome of the test cases is settled. A provision for legal costs expected to be incurred by the Group in order to defend these test claims through to the conclusion of the preliminary trial only has been included in the financial statements. As the Group believes that the claims are without merit and that it has strong prospects of success in defending them, no provision for the value of the claims has been included in the financial statements. The Group does have the benefit of professional indemnity insurance and continues to keep its insurers up to date with development in the claims.

The second legal case being defended along with another insurer was served in the Isle of Man Courts in May 2023. The claimants are seeking to recover investment losses in respect of insurance policies issued by each defendant. The claims are at an early stage and have not been particularised fully. It is therefore difficult to identify the timeline over which the claims may progress. Under this claim as issued, there are a total of 314 claimants who appear to be claiming £82m against the Group (although the claim form acknowledges that this figure does not take account of the actual retained value of the investments which are linked to the claimants' policies, the value of which will vary). The majority of these claims relate to policies held by professional corporate trustee companies. The costs of this case are being expensed as incurred and no provision for any future spend is in included in these financial statements. Based on the highly limited information received to date the Group believes that these claims are without merit and it has strong prospects of success to defend the claims against it and therefore no provision for the value of the claims has been included in the financial statements. The Group does have the benefit of professional indemnity insurance and continues to keep its insurers up to date with developments in the claim.

37 EVENTS AFTER THE YEAR-END DATE

There have been no material post-balance sheet events.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
Investment income			
Dividends received	4	**225,000**	252,000
		225,000	252,000
Interest income		**1,270**	362
Expenses			
Administrative expenses		**(1,377)**	(1,206)
Interest expense		**(16,000)**	(16,000)
Profit for the year before tax		**208,893**	235,156
Tax credit	6	**1,199**	3,200
Profit for the year after interest and tax		**210,092**	238,356

Income and expenses for the year derive wholly from continuing operations. The notes on pages 160 to 161 form an integral part of these financial statements.

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 92 to 104.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

ASSETS	Note	2023 £'000	2022 £'000
Investment in subsidiaries	3	**1,943,625**	1,943,625
Cash and cash equivalents		**1,428**	1,356
Other assets		**2,705**	1,955
Receivable from a subsidiary		**–**	4,500
Deposits		**26,514**	26,262
Total assets		**1,974,272**	1,977,698
Liabilities			
Creditors and other payables		**1,352**	813
Tier 2 loan notes	5	**400,710**	400,710
Total liabilities		**402,062**	401,523
Equity			
Called up share capital presented as equity	7	**392,500**	392,500
Merger relief reserve	7	**155,910**	155,910
Retained earnings		**726,200**	730,165
Restricted Tier 1 Notes	7	**297,600**	297,600
Total equity		**1,572,210**	1,576,175
Total equity and liabilities		**1,974,272**	1,977,698

The financial statements on pages 156 to 161 were approved and authorised for issue by the Board of Directors on 19 April 2024 and signed on its behalf by:

Ian Maidens

Director

19 APRIL 2024

The notes on pages 160 to 161 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Called up share capital presented as equity £'000	Restricted Tier 1 notes £'000	Merger relief reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022		**392,500**	**–**	**155,910**	**1,005,592**	**1,554,002**
Profit for the year after interest and tax		–	–	–	238,356	238,356
Dividends paid		–	–	–	(500,000)	(500,000)
Restricted Tier 1 notes issuance	7	–	297,600	–	–	297,600
Restricted Tier 1 notes interest net of tax relief	7	–	–	–	(13,783)	(13,783)
Balance as at 31 December 2022		**392,500**	**297,600**	**155,910**	**730,165**	**1,576,175**
Profit for the year after interest and tax		**–**	**–**	**–**	**210,092**	**210,092**
Dividends paid		**–**	**–**	**–**	**(200,000)**	**(200,000)**
Restricted Tier 1 notes interest net of tax relief	7	**–**	**–**	**–**	**(14,057)**	**(14,057)**
Balance as at 31 December 2023		**392,500**	**297,600**	**155,910**	**726,200**	**1,572,210**

The notes on pages 160 to 161 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
Net cash flows from operating activities	8	**233,429**	253,558
Cash flows from investing activities			
Investment in deposit accounts		–	(26,000)
Interest income		**1,018**	100
Net cash used in investing activities		**1,018**	(25,900)
Cash flows from financing activities			
Restricted Tier 1 loan notes issued	7	–	297,600
Interest paid		**(34,375)**	(36,184)
Dividends paid		**(200,000)**	(500,000)
Net cash flows from financing activities		**(234,375)**	(238,584)
Net increase/(decrease) in cash and cash equivalents		**72**	(10,926)
Cash and cash equivalents at the beginning of the year		**1,356**	12,282
Cash and cash equivalents at the end of the year		**1,428**	1,356

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SIGNIFICANT ACCOUNTING POLICIES

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 92 to 104. The notes identified on pages 160 to 161 are an integral part of these separate financial statements.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates

There are no critical accounting estimates or judgements in the preparation of these financial statements.

3 INVESTMENT IN SUBSIDIARIES

COST	2023 £'000	2022 £'000
At 1 January	1,943,625	1,943,625
Acquisitions and capital contributions during the year	–	–
At 31 December	1,943,625	1,943,625

4 DIVIDENDS RECEIVED

During the year the Company received dividends of £225,000k from its subsidiaries (2022: £252,000k).

5 TIER 2 LOAN NOTES

	2023 £'000	2022 £'000
Tier 2 loan notes principal	400,000	400,000
Tier 2 loan notes accrued interest	710	710
	400,710	400,710
Payable within one year	710	710
Payable after more than one year	400,000	400,000
	400,710	400,710

On 15 September 2021 Utmost Group plc issued £400,000k of Tier 2 loan notes maturing in December 2031, listed on the Global Exchange Market. The Group used £300,000k of the proceeds of this issuance to repurchase the existing Tier 2 loan notes from its immediate parent company Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 4% with interest repayments in June and December. The fair value of the Tier 2 loan notes as at 31 December 2023 is £313,556k (2022: £299,988k).

6 TAXATION

	2023 £'000	2022 £'000
Current tax credit	1,199	3,200

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

	2022 £'000	2021 £'000
Profit on ordinary activities before taxation	208,893	235,156
Tax at the UK rate of 23.5% (2022: 19%)	(49,090)	(44,680)
Non-taxable income	52,875	47,880
Unrecognised tax losses	(2,568)	–
Prior year adjustment	(18)	–
Tax credit for the financial year	1,199	3,200

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

7 EQUITY

The share capital of the Company is the same as that of the Group in note 26 in the notes to the consolidated financial statements. The merger relief reserve arose as the difference between the nominal value of shares issued and the fair value acquired from the acquisition of related parties as part of the group reorganisation in 2020.

Restricted Tier 1 Loan Notes

	2023 £'000	2022 £'000
Restricted Tier 1 loan notes	297,600	297,600
	297,600	297,600

In January 2022, UGP undertook an issuance of £300,000k of 6.125% perpetual restricted Tier 1 notes ("RT1") notes with a first call date of 15 December 2028. The net proceeds of the RT1 issuance were £297,600km. The RT1 notes are listed on the Global Exchange Market in Ireland. The notes meet the definition of equity under IFRS as the Restricted Tier 1 notes have no fixed maturity date and interest is payable only at the sole and absolute discretion of UGP. Interest repayments are in June and December and are debited to retained earnings. The interest payments for 2023 (net of tax relief) are £14,057k (2022: £13,783k).

8 CASH FLOW STATEMENT

	2023 £'000	2022 £'000
Profit before taxation	208,893	235,156
Non-cash movements		
Finance costs	16,000	16,000
Interest income	(1,270)	(361)
Accruals	539	–
Change in working capital		
Change in other working capital items	9,267	2,763
Net cash flows generated from operating activities	233,429	253,558

9 RISK MANAGEMENT

Risk management in the context of the Group is considered in the Group consolidated financial statements, note 29. The business of the Company is managing its investments in subsidiaries. Its risks are considered to be the same as those in the operations themselves, and full details of the major risks and the Group's approach to managing these are given in the Group consolidated financial statements. In 2023, the Company held deposits of £26,514k (2022: £26,262). All deposits have a maturity date of six to twelve months. The deposits are held with NatWest, which has a credit rating of A. There are no material assets or liabilities other than investment in subsidiaries and the deposits which require further risk management by the Company specifically.

10 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

The Directors and key management of the Company are considered to be the same as for the Group. Information on both the Company and Group key management compensation can be found in notes 33 and 34 in the notes to the consolidated financial statements.

Transactions with related parties

Transactions between the Company and related parties are detailed in note 33 to the consolidated financial statements.

11 EVENTS AFTER THE YEAR-END DATE

The events after the year-end date of the Company are the same as those of the Group in note 37 in the notes to the consolidated financial statement.

ALTERNATIVE PERFORMANCE MEASURES

Within the annual report various alternative performance measures ("APMs") are used in order to analyse the performance of the Group over the reporting period. APMs represent performance indicators/metrics which are not directly shown in the financial statements prepared in accordance with the applicable financial reporting framework (UK-adopted International Accounting Standards for the Group for the year ended 31 December 2023), but are derived from the financial statements usually by including or excluding certain items. APMs are considered to provide a more relevant and informative measure for stakeholders in assessing the performance of the Group. The APMs presented in these financial statements may change over time as management deem necessary in order to appropriately monitor and report the Group's performance.

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

ASSETS UNDER ADMINISTRATION ("AUA")

The Group's definition of AUA includes assets administered by the Group on behalf of clients. AUA provides a measure of the scale of the Group, and a sense of the Group's potential earnings capability which are partly calculated as a percentage of the value of assets under administration. A reconciliation of the Group's AUA metric to the consolidated IFRS Statement of Financial Position is as follows:

	2023 £m	2022 £m
AUA	**62,834**	60,140
Financial assets at fair value held to cover linked liabilities	**59,642**	56,901
Other investments including deposits, cash and cash equivalents and policyholder loans	**2,247**	2,327
Reinsurance contract assets	**945**	912
Total (as per Statement of Financial Position)	**62,834**	60,140

The Group revised the calculation of its AUA KPI in 2023. The previous calculation primarily included assets backing linked liabilities whereas the revised calculation includes assets backing linked liabilities and non-linked insurance liabilities and therefore provides a more accurate view of the Group's earnings capability. The revised definition is more closely aligned to other insurance groups and therefore provides greater comparability for users of the financial statements.

The Group's AUA at full year 2023 has risen from the full year 2022 figure as a result of positive market movements in the period. The Group's AUA is largely attributable to customers of unit-linked products (approximately 95% of the AUA represent assets backing unit-linked liabilities) and accordingly the investment gain in the period is matched by an increase in the unit-linked liability.

OPERATING PROFIT

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

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

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

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

Non-recurring items:
Non-recurring items relate to items which are not expected to recur in future periods, and as such are excluded from operating profit to provide a more reflective view of quality of earnings. The non-recurring items in the table below relate to costs incurred in the integration of Quilter International (£13m) and the reversal of the impairment of acquired value of in-force business on the acquisition of Athlumney Kappa (Ireland) dac (£(8)m).

A reconciliation between the Group's operating profit and IFRS PBIT for 2023 and 2022 is shown below:

	2023 £m	2022 £m
IFRS PBIT	**78**	11
Amortisation of AVIF and depreciation	**129**	149
Non-recurring items	**5**	24
Group Operating Profit	**212**	184

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

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

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

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

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

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

The Group's net SII EV as at 31 December 2023 is £1,686m (2022: £1,770m).

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

The KPI is influenced by factors such as the average age and duration of the book, longevity and mortality. It is calculated as: 1 – (All Policy Exits in the Period)/(Policy Count at the Start of the Period).

GLOSSARY

AMCs
Annual Management Charges

APE
Annual Premium Equivalent

APMs
Alternative Performance Measures

ARCC
Audit, Risk and Compliance Committee

AUA
Assets under Administration

AVIF
Acquired Value of In-Force business

Board (the)
Board of directors of Utmost Group plc

BPA
Bulk Purchase Annuity

Company (the)
Utmost Group plc

CSM
Contractual Service Margin

DAC
Designated Activity Company (Irish entities)

ESG
Environmental, Social and Governance

ERM
Enterprise Risk Management

FCA
Financial Conduct Authority

FFA
Fund for Future Appropriation

Fitch
Fitch Ratings Agency

Founders
Paul Thompson (Group CEO) and
Ian Maidens (Group CFO)

GFSC
Guernsey Financial Services Commission

GHG
Greenhouse Gas

Group (the)
Utmost Group plc and its direct and indirect subsidiaries as detailed in note 4 to the consolidated financial statements

HNW
High Net Worth

HoldCos
The indirect holding companies of the Group operating entities

IDR
Issuer Default Rating

IFS
Insurer Financial Strength

IoM FSA
Isle of Man Financial Services Authority

KPIs
Key Performance Indicators

NAV
Net Asset Value

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

Oaktree
Oaktree Capital Group LLC, deemed the ultimate significant controller of the Utmost Group of Companies, and/or its subsidiaries as they relate to the Utmost Group

ORSA
Own Risk and Solvency Assessment

Other Methods basis
A reporting submission in accordance with specific information requested by a regulator

OUHL
OCM Utmost Holdings Ltd

Own Funds
Own Funds represents the amount of capital available to cover the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") under Solvency II

PRA
Prudential Regulation Authority

SCR
Solvency Capital Requirement

SII
Solvency II

SII EV
Solvency II Economic Value

Standard Formula
Solvency II Standard Formula for calculation of the SII Balance Sheet

Subsidiary board
Board of directors of the operating businesses

TCFD
Task Force on Climate-related Financial Disclosures

tCO_2e
tCO_2e is a measure of greenhouse gas emissions in tonnes of carbon dioxide equivalent. Carbon Dioxide equivalent is a standard unit for measuring greenhouse gases on the basis of their global warming potential, by converting amounts of other greenhouse gases to the equivalent amount of carbon dioxide with the same global warming potential.

Topco
Utmost Topco Limited

UCS
Utmost Corporate Solutions

UHGL
Utmost Holdings (Guernsey) Limited

UHIL
Utmost Holdings Ireland Limited

UHNW
Ultra-High Net Worth

UIIOM
Utmost International Isle of Man

ULP
Utmost Life and Pensions

UN PRI
UN Principles for Responsible Investment

UPE
Utmost PanEurope dac

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

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

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

Utmost Life and Pensions
Utmost Life and Pensions Holdings Limited and all its subsidiaries, including Utmost Life and Pensions Limited and The Equitable Life Assurance Society

UW
Utmost Worldwide Limited

UWS
Utmost Wealth Solutions

VNB
Value of New Business

VIF
Value of In-Force

WACI
Weighted Average Carbon Intensity

COMPANY INFORMATION

DIRECTORS
Paul Thompson
Ian Maidens
Christopher Boehringer
Katherine Ralph
Gavin Palmer
James Fraser

SECRETARY
Alice Rivers

REGISTERED OFFICE
Saddlers' House
Fifth Floor
44 Gutter Lane
London
EC2V 6BR

REGISTERED IN ENGLAND & WALES
Company Number
12268786

INDEPENDENT AUDITOR
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

PRINCIPAL BANKERS
The Royal Bank of Scotland International Limited
36 St Andrew Square
Edinburgh
United Kingdom
EH2 2YB

FORWARD-LOOKING STATEMENTS

The words: 'intends', 'aims', 'projects', 'anticipates', 'plans', 'believes', 'expects', 'may', 'should', 'could', 'will', 'seeks', 'targets', 'continues', 'outlook', 'likely', 'goal', 'estimates', 'set to', and words of similar meaning, are forward looking. By their nature, all forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Utmost Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that we have estimated. Other factors that could cause actual results to differ materially from those identified by forward-looking statements include, but are not limited to, domestic and global economic and business conditions, asset prices, market risks, changes in pricing and reserving assumptions, risks associated with third-party arrangements, government and regulatory policy in our operating jurisdictions, and the political, legal and economic effects of the UK's vote to leave the European Union and the impact of natural and man-made catastrophic events (including the impact of Covid-19).

Utmost Group plc undertakes no obligation to update any of the forward-looking statements contained within this Report or any other forward-looking statements it may publish. Nothing in the 2023 Annual Report and Accounts is or should be construed as a profit forecast or estimate.

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

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