ANNUAL REPORT 2022

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

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 137.

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 142.

References to "IFRS" figures used throughout the Strategic Report reflect the basis of preparation set out on page 90, note 2.1.

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WHO WE ARE

Utmost Group is a leading provider of insurance and savings solutions in the UK and internationally. The Group has 530,000 clients and £58.4bn of assets under administration ("AUA") across its businesses.

Read more about Utmost Group's business model on page 14

WHAT WE DO

Utmost Group is committed to making a positive difference. Our mission is to secure our clients' financial futures through the delivery of insurance and savings solutions, which result in greater prosperity for current and future generations.

Read more about what we do on page 7

OUR STRATEGY

The Group's strategy is formed across four strategic pillars:

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

Read more about our strategy on page 20

SUSTAINABILITY

Sustainability is at the heart of the Group's strategy. Securing a brighter future for future generations requires urgent action to turn the tide on climate change. Our Group is actively working to build a better future.

Read more on our Sustainability Strategy on page 26

2022 AT A GLANCE

Utmost Group provides insurance and savings solutions which assist our clients in securing their financial futures. Our mission is to secure our clients' financial futures through the delivery of insurance and savings solutions, which result in greater prosperity for current and future generations. The provision of good customer outcomes remains front and centre of our strategy.

AUA

£58.4bn

Policyholders

530,000

Employees

1,500+

Core businesses

2

utmost INTERNATIONAL

utmost LIFE AND PENSIONS

Signatory of

PRI Principles for Responsible Investment

IIGCC

Supporter of

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

International Business 2022 Highlights

utmost INTERNATIONAL

AUA
£51.9bn

Net Inflows
£1.3bn

New Business Sales
£4.2bn

UK Business 2022 Highlights

utmost LIFE AND PENSIONS

Assets
£5.5bn

>90%
UK Unit linked AUA has outperformed its benchmark over two years

Customers enrolled on ULP's new online servicing platform
18,000

A Year of Consolidation

Following the completion of the Quilter International acquisition in late 2021, the Group has focused on the consolidation of its existing operations.

The Group performed strongly in 2022 despite the challenging macro environment. Heightened geopolitical tensions exacerbated rising global inflation and associated central bank rates, creating challenges for our policyholders looking to secure their financial futures. This is an environment in which our robust insurance and savings solutions can support our clients. The Group has focused on optimising and driving efficiencies in its operations to be well positioned to capitalise on strategic opportunities as these present themselves.

Milestones

- **Quilter International Integration:** The Group progressed with the integration of the Quilter International operations into Utmost International. Notable achievements include the completion of the Ireland and the Isle of Man scheme transfers, and the completion of the rebrand from Quilter International to Utmost International
- **Restricted Tier 1:** The Group issued £300m listed Restricted Tier 1 ("RT1") notes in January 2022 at a coupon of 6.125%. The Group was able to lock in long-term funding at an attractive yield in an environment of rising interest rates and diversify its sources of funding
- **Fitch Ratings Upgrade:** Utmost Group plc ("UGP") Issuer Default Rating was upgraded from 'BBB+' to 'A-' which resulted in a subsequent upgrade of the Group's two public debt issuances
- **Online Servicing**: Harmonisation of the three International Online Service Centres ("OSC") to provide additional capabilities and a consistent level of functionality to all customers across our regions. Launched MyUtmost, a new OSC for our Utmost Life and Pensions customers

OUR YEAR IN REVIEW

JANUARY 2022

- UGP becomes a signatory to the UN-supported Principles for Responsible Investment ("UN PRI") and the Institutional Investors Group on Climate Change ("IIGCC")
- £300m listed Restricted Tier 1 notes issuance

MARCH

£25,000 donation to the British and Irish Ukraine Red Cross Appeals

APRIL

Utmost International launches its French high net worth ("HNW") proposition

JUNE

Fitch Ratings upgrades UGP's Issuer Default Rating to 'A-'

OCTOBER

- Merger of the Group's two Irish insurance entities
- Completion of rebrand of Quilter International to Utmost International
- Announcement of planned closure of AAM Advisory in Singapore

NOVEMBER

- Utmost International launches new product for the Finnish market
- Merger of the Group's two Isle of Man insurance entities

JANUARY 2023

Utmost International relaunches its Singapore HNW product with additional features and revised pricing

A GLOBAL FOOTPRINT

Our core markets

– UK
– Europe
– Middle East
– Asia
– Latin America

1,500+ global employees

Utmost Group

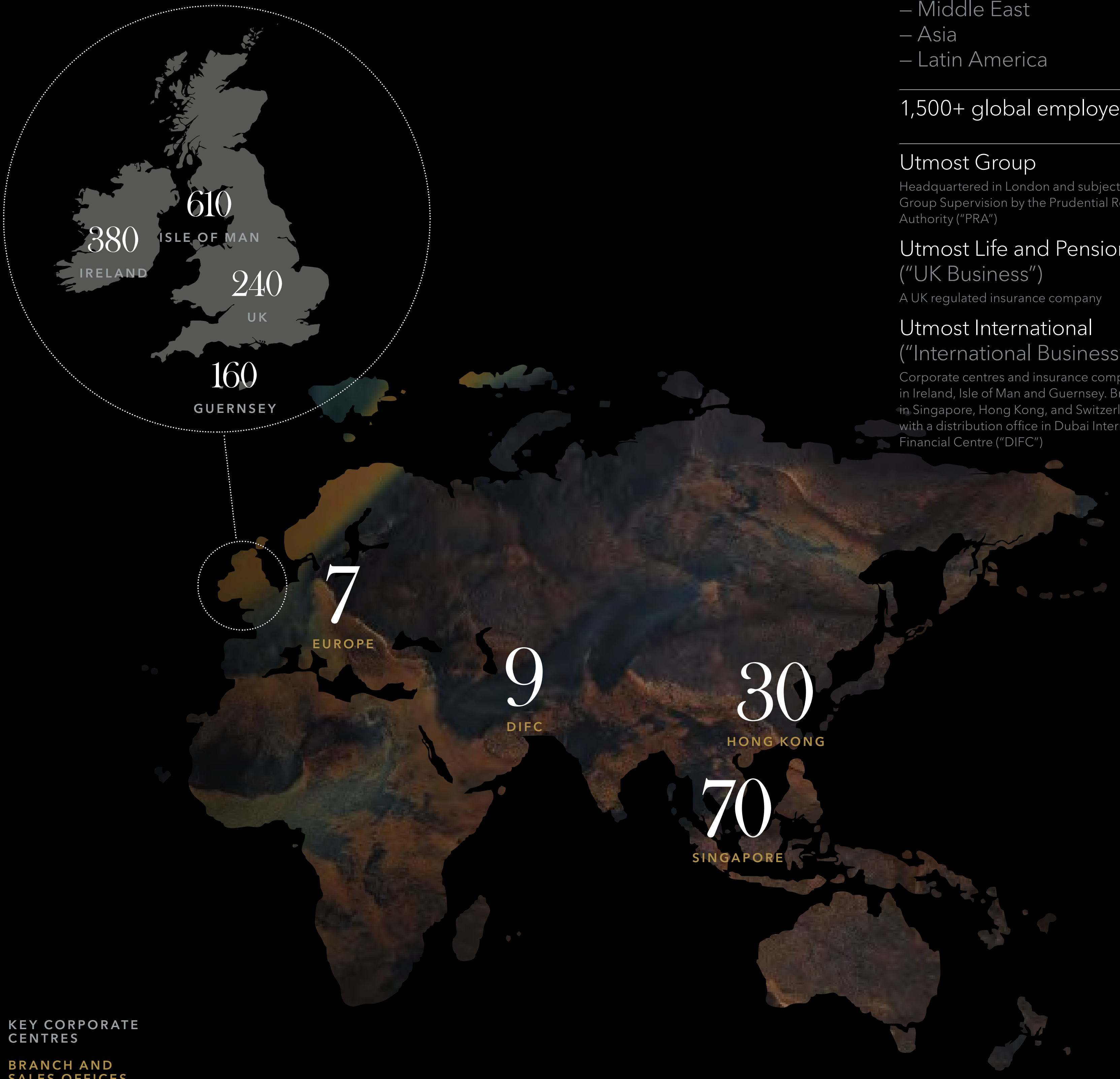
Headquartered in London and subject to Group Supervision by the Prudential Regulation Authority (“PRA”)

Utmost Life and Pensions (“UK Business”)

A UK regulated insurance company

Utmost International (“International Business”)

Corporate centres and insurance companies in Ireland, Isle of Man and Guernsey. Branches in Singapore, Hong Kong, and Switzerland, with a distribution office in Dubai International Financial Centre (“DIFC”)



KEY CORPORATE CENTRES

BRANCH AND SALES OFFICES

UTMOST GROUP OPERATIONAL STRUCTURE

utmost GROUP

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

utmost INTERNATIONAL

Utmost International is a leading provider of insurance-based wealth solutions that are designed to preserve our clients' wealth and safeguard it for future generations.

Utmost International operates across two businesses: Utmost Wealth Solutions and Utmost Corporate Solutions.

utmost LIFE AND PENSIONS

Utmost Life and Pensions is a consolidator of UK life and pensions books of business.

utmost WEALTH SOLUTIONS

AUA
£51.9bn

Customers
200,000

New Business Sales in 2022
£4.2bn

Key Markets
UK, Europe, Middle East, Asia, Latin America

Utmost Wealth Solutions ("UWS") is a leading global provider of insurance-based wealth solutions. Its solutions are based on unit linked life assurance policies. UWS' clients are affluent, HNW, and Ultra High Net Worth ("UHNW") individuals based in the UK, Europe, the Middle East, Asia, and Latin America. UWS' propositions provide effective and reliable solutions for clients who wish to control the wealth they have accumulated and manage the proceeds when planning succession.

utmost CORPORATE SOLUTIONS

Annual Premiums
Over £200m

Global Multinational Client Base

Lives Covered
Over 1m

Utmost Corporate Solutions ("UCS") provides employee benefits to its corporate clients to protect their employees. UCS specialises in the provision of benefits to multinational corporations with employees in multiple jurisdictions.

utmost LIFE AND PENSIONS

Assets
£5.5bn

UK closed book business

Customers
330,000

UK-based operations

Utmost Life and Pensions ("ULP") provides a safe home for its policyholders' assets due to its strong capital position and efficient operational management. ULP manages unit linked, annuity and with-profits policies. Its sector expertise, secure financial foundations and customer focus position it well for future mergers and acquisitions ("M&A") led growth.

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"The Group's performance in 2022 illustrates the strengths of the Group's strategy. The long-term nature of our proposition provides good outcomes to our policyholders through market cycles."

Paul Thompson
Group Chief Executive Officer

After a year in which global markets and investor sentiment rebounded, 2022 was marked by a very different backdrop. Macroeconomic and geopolitical uncertainty, volatile investment markets and sharply rising inflation, coupled with interest rates rising to levels not experienced in well over a decade, created challenges for many of our policyholders looking to secure their financial futures. This is an environment in which our robust insurance and savings solutions can support our clients.

Banking turmoil during the first quarter of 2023 has led to significant market volatility and uncertainty around the future path of interest rates, inflation and the availability of credit to the real economy. Our management team is closely monitoring the fast-moving economic environment. The long-term, unit linked nature of our solutions mean the Group has limited liquidity risk exposure. Our robust risk management processes and close asset-liability matching are supportive in these challenging market conditions.

Strategic Progress

Following an unprecedented level of deal activity in 2021, M&A markets settled back into a more familiar pace in 2022. Organisations faced headwinds including the uncertain macroeconomic environment and supply chain disruption in the real economy, which demanded boards' attentions. Heightened inflation and rising interest rates created uncertainty around valuations.

For Utmost Group, 2022 was a year of consolidation following a period of rapid expansion. A core focus was the integration and optimisation of our existing operations following the transformational Quilter International acquisition. It is imperative our IT and operations are robust and scalable, able to support our existing policyholders and the future growth of the Group. We made progress towards our target IT estate, updating our systems, and embedding efficient and optimised processes to support the future growth of the Group.

The Group foresees continued opportunities for acquisition-led growth. We expect continued disposals of legacy businesses – which offer sellers an opportunity to reduce costs, improve capital efficiency and redeploy capital to core activities – as well as portfolio-level disposals as organisations refocus on core activities or on becoming product specialists. The Group stands ready to pursue strategic opportunities as they arise. We are fortunate to have the consistent support of our majority shareholder, Oaktree, and are buoyed by our strong balance sheet, robust capitalisation and our reputation as a responsible and mature buyer of assets.

Organic Growth

A core pillar of the Group's strategy is organic growth. Our growth strategy is centred around the continuous development of our proposition, supported by the provision of good client servicing, and increasing penetration in our growth markets in Europe, Asia and Latin America.

The acquisition of Quilter International extended Utmost International's leadership position in the international life assurance market. Utmost International's gross inflows of £4.2bn (2021 pro forma[1]: £4.8bn) were robust against a challenging macroeconomic and inflationary backdrop. High client retention rates contributed to our strong net flows figure of £1.3bn (2021 pro forma[1]: £1.5bn), a reflection of the ongoing development of our proposition and investment into client servicing.

Our strong relationships with our partners demonstrated continuity through the integration of Quilter International which is reflected in our robust sales, and strong performance in our growth markets in Europe and Asia. Indeed, in the year we saw a marked increase in our sales volumes in Asia reflecting our relationship and proposition development efforts including the relaunch of our HNW offering in Singapore.

In April 2022, Utmost International launched a product tailored for the sophisticated financial planning needs of French HNW and UHNW individuals. This followed the launch of our expatriate product in October 2021 and demonstrates the strong commitment of Utmost International to the French market, a key strategic market for insurance-based wealth solutions.

Our UK business is largely closed to new business however we continue to invest in good outcomes for our policyholders. The Group has developed a drawdown proposition to support policyholders in the decumulation phase and offers them the ability to consolidate pensions with Utmost Life and Pensions. During the year, Utmost Life and Pensions' new OSC, MyUtmost, was launched. The platform enables customers to view policy values, communicate and transact online. The platform has been well received and is delivering efficiencies to both our policyholders, their advisers and to the Group.

The Group is supportive of the UK Financial Conduct Authority's ("FCA") Consumer Duty, which will further strengthen focus around delivering good outcomes for customers. The Group is working through the implementation of the requirements. Our UK business has established a Fair Customer Outcomes Group which governs the delivery of good customer outcomes, having regards to their characteristics and needs. Board-level champions have been appointed in our life companies to ensure the Duty is implemented and embedded in strategy and governance.

Longer-term sectoral trends are supportive of our continued business growth, with increasing demand for robust, transparent insurance and savings products. Utmost Group remains well placed to capitalise on our existing strong market position.

1. See page 45 for the basis of pro forma information

A Year of Consolidation

The Group's business model relies on the efficient integration of acquisitions. Successful integration is one of the Group's core competencies and key to our consolidation strategy. Following the completion of the acquisition of Quilter International, an integration programme commenced, comprising a 100-day plan to capture early synergies and a longer-term plan to consolidate processes, technology and team structures.

I am pleased with the progress made in 2022 with the integration programme. The programme has progressed well, with a number of workstreams complete and the remainder on-track against our initial plan.

The portfolio transfers in Ireland and in the Isle of Man were implemented in October 2022 and November 2022 respectively. These transfers will ultimately have the effect of merging Utmost Group's two Irish insurance entities, and two Isle of Man insurance entities enabling the Group to maintain a single insurance entity in each jurisdiction, in line with its strategic vision.

The activity to rebrand the Quilter International business to Utmost International completed in October 2022. All of our International activity is now operated under the Utmost brand. The completion of the rebrand activity marked a key milestone in the integration of the Quilter International business into Utmost International.

The technology migration off Quilter plc hardware is progressing well and is expected to complete in line with our expected timeline.

The successful completion of the integration programme delivers expense reductions, improved service and lower costs-per-policy. These lead to increased operating profit, increased customer loyalty and capital efficiencies, ultimately leading to an increase in both Own Funds and Solvency II Economic Value ("SII EV") over time.

Investing for the Future

A core strategic objective of the Group is the delivery of optimised and efficient operations. The Group's growing scale demands focus on efficiency initiatives and the streamlining of processes and systems.

The Group Chief Technology Officer ("CTO") is spearheading the Group's digital strategy. The strategy ensures our IT estate is durable, prioritising securing and streamlining processes and systems. It will result in a lower cost of ownership, a reduction in complexity and simplified maintenance and security. In line with our focus on efficiencies, our newly hired Head of Procurement will work with our operations and technology teams to ensure our third-party contracts are structured in a cost effective and pragmatic manner whilst maintaining good relationships with our valued suppliers.

The Group invested in upgrading its core technology platforms through the year. Our core policy administration systems in the Isle of Man and Ireland have been enhanced and updated to ensure that they remain robust and scalable. Investments in robotics and automation have driven quality and efficiency improvements.

One way the Group can support its clients is through accessibility. The Group has developed its UK and International OSCs in 2022. The changes aid customer access to their policy information and valuations, whilst allowing our Client Service team to provide support and assistance where needed. These investments into enhancing our online service reflects the benefits of being part of a larger, focused Group and aligns with our broader digital strategy.

Cyber security has been a focus of the UGP Board ("Board") through the year. Our technology teams have focused on standing up our security to protect our policyholders' data and ensure uninterrupted service delivery. This culminated in the recruitment of the Group's first Chief Information Security Officer ("CISO") in Q4 2022 who is tasked with shaping our long-term approach to cyber security.

Groupwide Survey

88%

OF UTMOST EMPLOYEES BELIEVE THAT UTMOST IS A CUSTOMER CENTRIC ORGANISATION

Culture and Values

Our people are the foundation of our success. They share a strong entrepreneurial mindset as well as values of reliability and collaboration. It is Ian and my intention that as the organisation continues to grow, our unique culture transmits across a larger employee base. It is our aspiration that our values are lived across the organisation: from the manner in which we serve our clients to the way we collaborate within and between teams.

A key focus of 2022 was on integrating the transferring Quilter International employees into our Group. Management held a series of townhalls and networking events to welcome our new colleagues and address questions. I am pleased that they approach their work with the same spirit, passion and dedication that defines the Group. It is this spirit that enables us to deliver good outcomes to our policyholders and deliver strong returns to our investors.

The Group runs a programme of activities and events to facilitate engagement between the Board, senior management and our wider employees. As a part of our employee engagement programme the Group distributed its first groupwide survey in September 2022. I was pleased with the high response rate and positive feedback on our Group and the career paths available. Our Executive Committee will continue to carefully consider the feedback received including that on flexible working arrangements and increasing connectivity between our businesses given the recent growth of the Group.

In light of soaring inflation, the Group awarded an exceptional pay rise to employees in July. The award was in addition to the Group's annual pay review and designed to address the escalating cost-of-living crisis. Our management team continues to monitor the economic environment and continue to consider our approach to pay across our regions.

Committed to Positive Impact

As stated by the Chair of the Intergovernmental Panel on Climate Change ("IPCC") at the opening of COP27, the voice of science on climate change could not be sharper, stronger, and more sobering: the world is not on track today to limit global warming to 1.5°C.

The Earth's average surface temperature in 2022 tied with 2015 as the fifth warmest on record. Our warming climate is already making a mark with intense heatwaves breaking temperature milestones, droughts wreaking havoc, severe forest fires and rising sea levels.

Reports by the IPCC presented in 2022 warned that the world is set to reach the 1.5°C level within the next two decades. The Group recognises that material steps are required now to significantly cut carbon emissions, the reduction of which is crucial to prevent an environmental disaster. This is a once in a generation opportunity to save our planet and our livelihoods.

Utmost is committed to do its part in addressing climate change, alongside its broader sustainability goals. The Group recognises the power of collective action. Through our being a signatory to the UN PRI, and a member of the IIGCC, we hope to exert collective influence with our industry peers to promote sustainable investment and contribute to developing a more sustainable global financial system.

Our Sustainability Report, which incorporates our Task Force on Climate-related Financial Disclosures ("TCFD") Report, sets out our progress against the pillars of our Sustainability Strategy. Highlights of the year include the adoption of the Group's Responsible Investment Policy, which formalises the Group's net zero 2050 commitment for its shareholder investment portfolio.

The burning of thermal coal for energy is the single largest contributor to man-made global temperature increases, accounting for about one third of the 1.1°C temperature rise above pre-industrial levels already observed. Several other sectors cannot be decarbonised if power generation and supply are not decarbonised first.

With this in mind, the Board were pleased to adopt thermal coal exclusions into our Responsible Investment Policy.

The Group continues to champion measures to address the environmental impact of its own operations. In our Sustainability Report, we detail initiatives to reduce our initial greenhouse gas emissions ("GHG") and foster a sustainable workplace.

Our organisation exists to support current and future generations to prosper. It is imperative we continue to consider the impact of our activities over the long-term, not just for our customers, colleagues and capital providers, but for future generations. The actions taken by the Group reflect our commitment to build a better future. They reflect our respect for the environment. We are committed that our products and operations create a positive impact on our environment and the places we operate. Our Group is actively working to build a better future.

Confidence in the Future

The Group's performance in 2022 illustrates the strengths of the Group's strategy. The long-term nature of our proposition provides good outcomes to our policyholders through market cycles, encouraging strong client retention. It is clear to us that demand for robust, transparent solutions continues to grow. The Group remains well placed to capitalise on its strong market position and deliver against its longer-term ambitions.

The complementary nature of our businesses, as well as their geographic diversity, underpins strong cash generation, supporting our robust capital position and providing strong, sustainable returns for our investors.

The macroeconomic outlook for 2023 continues to look uncertain as inflation persists more than originally hoped. The real economy and the financial system are only just coming to terms with the impact of sustained higher interest rates leading to notable casualties. I suspect the remainder of 2023 will be marked by further bouts of volatility and restructuring. It is an environment in which only the strongest will prosper. As a Group we face these uncertain times with a quiet degree of confidence and a willingness to capitalise on opportunities as they present themselves.

Paul Thompson
Group Chief Executive Officer

OUR BUSINESS MODEL

WHAT WE DO

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

HOW WE DO IT

The UGP business model supports the delivery of our strategic goals and helps us achieve our mission to secure our clients' financial futures through the delivery of insurance and savings solutions, which results in greater prosperity for current and future generations.

Across our two businesses, International and UK, we have expertise across a range of insurance and long-term savings solutions with investments tailored to deliver suitable outcomes.

Utmost International

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

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

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

Utmost Life and Pensions

Our UK business, ULP, provides life and pensions products to help secure our policyholders' financial futures. This is achieved through our trusted sector expertise, secure financial foundations and client focus.

The majority of the business is in capital-light, unit linked policies. ULP is closed to new business and has a strong focus on excellent client service, especially to provide appropriate support to vulnerable clients. It is strongly capitalised to provide security to our clients and managed in an efficient, cost-effective manner.

ULP's leading position in the UK life and pensions market positions it well for future growth via acquisition. ULP charges AMCs based on policyholders' AUA and earns investment returns on its annuity and shareholder assets.

Our Strategic Pillars

1. Good client outcomes
2. Growth through acquisitions
3. Organic growth
4. Optimised and efficient operations

See page 20 for further information on our strategic pillars.

	Utmost International	Utmost Life and Pensions
Client	Affluent HNW UHNW	Savers Retirees
Distribution Partner	Private Bank Advisers	Closed to new business; any new product transfers are advised
Proposition utmost	Unit linked	Unit linked Annuity With profits
Investment Solution	Open architecture Guided architecture Discretionary fund manager	Guided architecture External fund managers
Underlying Assets	Mutual funds Direct stocks and shares Private assets	Mutual funds Externally managed assets

Our Stakeholders

Dedicated to better serving all stakeholders

Clients
Good client outcomes

Investors
Sustainable, strong returns

Employees
Fulfilled, motivated, and set up to succeed

Suppliers
Work with our suppliers, matching their capabilities with our policyholders' requirements to deliver good outcomes

Regulators
Work collaboratively and ensure high standards are upheld

Environment
Reduce our environmental impact

Community
Support our local communities

Our Strengths

Underpinning our business model

- Acquisition Expertise
- Integration
- Financial Stability
- Proposition
- Sustainability

Our Markets

Utmost Group operates in markets presenting structural growth opportunities: global wealth solutions to affluent and HNW clients and UK savings and investments. Our solutions support clients in both the accumulation and retirement phases and enable investment across the full range of asset classes.

Utmost Group is well positioned to capitalise upon its strong existing market positions. A growing global population of affluent and HNW individuals demanding advice and a continuing trend towards robust, transparent savings solutions support our continued growth in market share. Our scale supports us in the face of industry pressures such as the increasing cost of regulation, fiscal changes and the need for continued investment in technology.

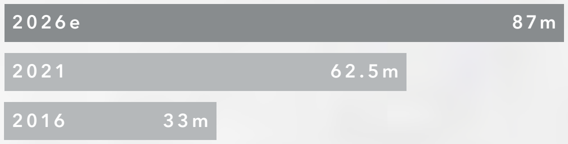
Rising Affluent Wealth

Global wealth increased in 2021 at a record pace, driven by strong financial markets. A growing proportion of this wealth is controlled by our target market of affluent and HNW individuals.

The global economic and geopolitical environment deteriorated in 2022. Asset values were volatile, driven by the Russian invasion of Ukraine, heightened inflation and rising interest rates. While some reversal of the exceptional wealth gains of 2021 is likely in 2023 as several countries face slower growth or even recession, the outlook is for wealth to continue growing.

Our proposition provides robust, transparent solutions which support our clients through market cycles. Longer term trends – demographics and related intergenerational wealth transfers, a complex savings and investment environment, the continued shift towards individual responsibility for providing for retirement – are supportive of our business outlook.

Adults with wealth above $1m



Aggregate wealth of HNW individuals

Source: Credit Suisse Global Wealth Report 2022; Credit Suisse Global Wealth Report 2016

69%

OF UHNW INDIVIDUALS EXPECT THEIR WEALTH TO INCREASE IN 2023

1. Source: Knight Frank The Wealth Report 2023

Sustainability

The planet's long-term warming trend continued in 2022. The Earth's average surface temperature in 2022 tied with 2015 as the fifth warmest on record. Our warming climate is already making a mark with intense heatwaves breaking temperature milestones, droughts wreaking havoc, severe forest fires and rising sea levels.

Policyholder and adviser focus on responsible investing increased significantly. Funds under management with Responsible Investment characteristics continued to increase in recent periods. Clients increasingly want their insurance and savings providers to use their funds to support the transition to a net zero economy and in the fight against climate change.

Utmost is committed to do its part in addressing climate change, alongside its broader sustainability goals. The Group recognises the power of collective action. Through our being a signatory to the UN PRI, and a member of the IIGCC, we hope to exert collective influence with our industry peers to promote sustainable investment and contribute to developing a more sustainable global financial system.

A key achievement of 2022 was the adoption of the Group's first Responsible Investment Policy. The Policy formalises the Group's Net Zero 2050 commitment for its shareholder investment portfolio. It outlines how the Group integrates Environmental, Social and Governance ("ESG") factors into its investment decision making. The Policy sets out guidelines for fund and manager selection, incorporating ESG factors as a part of this process.

The burning of thermal coal for energy is the single largest contributor to man-made global temperature increases, accounting for about one third of the 1.1°C temperature rise above pre-industrial levels already observed. Several other sectors cannot be decarbonised if power generation and supply are not decarbonised first.

With this in mind, the Board was pleased to adopt thermal coal exclusions into our Responsible Investment Policy.

62%

INCREASE IN FUNDS UNDER MANAGEMENT WITHIN FUNDS WITH RESPONSIBLE INVESTMENT CHARACTERISTICS IN 2021, ACCORDING TO THE INVESTMENT ASSOCIATION

Competitive Landscape

M&A activity slowed from its record-setting 2021 pace, with economic headwinds stunting deal activity in 2022. The macroeconomic outlook for 2023 continues to look uncertain as inflation persists more than originally hoped. The real economy and the financial system are only just coming to terms with the impact of sustained higher interest rates. M&A activity is likely to reaccelerate once central bank rate hikes decelerate and confidence in a terminal rate is gained.

Utmost Group has a scalable business model and is well positioned to benefit from the fundamental growth trends of the insurance and savings market.

Bank of England Base Rate

31/12/2022	3.5%
31/12/2021	0.25%

Source: https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp

UK Retail Price Index

31/12/2022	13.4%
31/12/2020	1.2%

Source: https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23

(42)%

GLOBAL M&A VOLUMES AND VALUES IN FINANCIAL SERVICES DECREASED BETWEEN 2021 AND 2022 BY 17% AND 42%, RESPECTIVELY

Source: PwC Global M&A Trends in Financial Services: 2023 Outlook

Following ongoing consolidation in the international life assurance market – Utmost Group leading amongst the consolidators – advisers and clients have recognised the benefits of working with a focused, specialist group with the resources and expertise to continually invest in developing solutions and technology specifically for the international life assurance market.

In the UK, Utmost Group is well recognised as a disciplined buyer of assets with a reputation as a reliable partner.

The Group has strong foundations in place which will enable us to capitalise upon opportunities as they arise. These include an experienced team with a successful track record of executing and integrating deals in order to create shareholder value. The Group has access to significant capital through its majority shareholder, Oaktree, and the public debt markets and remains patient and disciplined on how and where to deploy this across its International and UK businesses.

Technology Advancements and Data Protection

Policyholders' expectations of their insurance and savings providers' online solutions have evolved, accelerated by the implementation of online solutions through the pandemic. Clients and advisers demand a seamless experience, utilising digital tools to simplify the onboarding process and OSC to provide ongoing accessibility and instant access. Utmost has invested heavily into its OSC to provide a better digital experience to our partners and policyholders.

A core strategic objective of the Group is the delivery of optimised and efficient operations, to support an improvement in Operating Profit and a lower cost-per-policy. The Group has used the Quilter International integration as an opportunity to review our entire technology estate. Over the coming years, the Group will migrate towards its target technology estate. The Group's digital strategy will ensure our estate is durable, prioritising security and streamlining processes and systems. The end state technology estate will support the Group's growing scale and provide a modern, robust foundation for future acquisitions.

Cyber risk has been especially in focus in the wake of the Russian invasion of Ukraine. Insurance and savings groups hold high volumes of sensitive client data and it is imperative an acute focus is paid to ensure defences are robust.

Cyber-attacks can render a firm immobile and have severe and far-reaching disruption. At Utmost, we have rolled out a cyber awareness campaign focusing on the prevailing cyber issues. We have deepened our InfoSec strength through the formation of a Group-wide team led by a newly appointed CISO.

Continuous learning and adaption are critical to appropriately react to threats. The Group has implemented a new Security Operations Centre which constantly monitors, assesses, and responds to cybersecurity incidents. This integrated approach will ensure that we remain alert and retain a strong cyber security presence.

£4.56m

THE AVERAGE TOTAL COST OF A DATA BREACH FOR THE UK (AJG)

18,000

REGISTRATIONS TO MYUTMOST

Source: https://www.ajg.com/uk/news-and-insights/2022/october/the-rising-cost-of-a-data-breach/
Source: https://www.ft.com/content/63ea94fa-c6fc-449f-b2b8-ea29cc83637d
Source: https://www2.deloitte.com/content/dam/Deloitte/de/Documents/financial-services/Wealth%20Management%20Digitalization.pdf

OUR STRATEGIC OBJECTIVES

Utmost Group has set clear strategic objectives for its businesses in order to:

– Provide appropriate insurance and savings solutions which deliver good outcomes
– Maintain our position as a leading consolidator for the life insurance market
– Enhance our financial and operational performance which supports the delivery of sustainable, strong returns for our investors
– Make a positive difference by operating as a sustainable business

To achieve its strategic objectives, the Group is focused on the delivery of its four strategic pillars:

1. Good Client Outcomes

2. Growth through Acquisitions

3. Organic Growth

4. Optimised and Efficient Operations

1. Good Client Outcomes

Strategic Objectives
- The delivery of good client outcomes remains front and centre of our strategy
- Focus on our mission to secure our clients' financial futures through the delivery of insurance and savings solutions, which result in greater prosperity for current and future generations
- Developing our proposition with consistent, reliable client service being key to this objective

Linked key performance indicator ("KPI"):
- AUA
- Annual Premium Equivalent
- Client Retention

Progress During 2022
- Harmonisation of the three International OSCs to provide additional capabilities and a consistent level of functionality to all customers across our regions
- Launched MyUtmost, an OSC, for our Utmost Life and Pensions customers
- Embedding a best-of-breed approach to servicing and proposition development, with enhancements across our product suite, focused on client outcomes and value for money
- Finalisation of our Responsible Investment Policy, asserting our Responsible Investment commitments and outlining our expectations to our external managers

Forward-Looking Focus
- Implement the requirements of the UK FCA's new Consumer Duty, which focuses on delivering good outcomes for customers, by July 2023 in our UK business
- Increase the proportion of funds which incorporate Responsible Investment characteristics in our Guided Architecture Fund Ranges
- Continue to provide excellent customer service and transparent communications
- Drive investment performance and deliver strong risk-adjusted returns

94%

UWS CLIENT RETENTION

STRATEGIC REPORT

Case study

Launch of MyUtmost

In September 2022 the Group launched MyUtmost, a new OSC for our ULP customers.

MyUtmost will enable clients to view their policy values, communicate and transact online.

Previously, our ULP customers had no access to online servicing. This development reflects our commitment to good customer outcomes and reflects the benefits of being a part of a larger, focused Group.

The OSC improves customer accessibility, enabling clients to self-serve for more basic queries. Our dedicated client service team remains on-hand to provide ongoing support, with increased capacity to focus on complex cases.

2. Growth through Acquisitions

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

Linked KPIs:
- AUA
- Operating Profit
- SII EV

Progress During 2022
- Significant progress on the integration of Quilter International into Utmost International, with some significant workstreams completed
- The Group is well positioned to pursue further acquisitions with an experienced, well-resourced team
- Issued a second public debt instrument, a £300m RT1, which extended the Group's debt repayment profile and accessed a different part of the capital stack
- Fitch upgraded the Group's Issuer Default Rating ("IDR") from 'BBB+' to 'A-'. This resulted in a subsequent upgrade to the Group's two bond issuances and is supportive of any future acquisitions

Forward-Looking Focus
- The Group remains focused on identifying strategic acquisitions, which meet our strict quantitative and qualitative criteria
- Renewed focus on UK closed book acquisitions to balance the Group's footprint between Utmost International and Utmost Life and Pensions
- Our expectation is that ongoing macroeconomic volatility will cause sellers to reassess their strategic priorities, with insurers looking to free up capital by divesting non-core and closed business to reduce balance sheet risk. The Group is well positioned to capitalise on future strategic opportunities

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ACQUISITIONS COMPLETED TO DATE

Case study

Debt Raises and Fitch Upgrade

In January 2022, UGP issued its second public debt instrument, a £300m RT1 Perp-NC-7.5yr notes with a 6.125% coupon. The RT1 issuance has diversified the Group's sources of funding, accessing a different part of the capital stack and extending the Group's debt repayment profile.

Separately Fitch Ratings upgraded UGP's IDR from 'BBB' to 'A-', which resulted in a subsequent upgrade to the Group's public debt issuances. The Group's subordinated Tier 2 notes are now rated 'BBB-' and its RT1 notes are now rated 'BB+'. The Group has maintained its resilient capital and solvency positions, low leverage and high interest coverage and is well positioned to utilise further debt issuance as a part of future deal financing.

As the Quilter International integration progresses, the Group has an experienced, well-resourced team and significant access to capital to support any future acquisitions.

3. Organic Growth

Strategic Objectives
– Utmost International is a leading provider of international wealth solutions, writing over £4.2bn new business in 2022
– The growth strategy concentrates on enhancing our proposition in our markets and the continued delivery of excellent client service

Linked KPIs:
– Annual Premium Equivalent ("APE")
– AUA
– Value of New Business ("VNB")
– Operating Profit
– SII EV

Progress During 2022
– Net flows remained robust despite challenging market conditions, with flows of £1.3bn
– Launch of a best-of-breed unit linked proposition for the International market, combining the Utmost International and Quilter International ranges
– The Group enhanced its presence in our key growth markets of France, Asia and Latin America through new product launches and the strengthening of strategic partnerships

Forward-Looking Focus
– Heightened geopolitical tensions have created real challenges for our policyholders looking to secure their financial futures. This is an environment in which our robust insurance and savings solutions can support our clients
– We continue to work closely with our distribution partners to ensure our propositions can aid their clients in protecting and preserving their wealth
– Continue to optimise our proposition with a pipeline of planned development activity

£1.3bn

NET FLOWS FOR UTMOST INTERNATIONAL IN 2022

Case study

Development of Singapore HNW Proposition

In 2022, the Group relaunched its Singapore HNW proposition. Singapore is an important market for UWS as the business focuses on capturing the wealth trends in Asia. This market has an exponentially growing HNW population. Enhancements include the hiring of additional team members to support underwriting and operational requirements, as well as amendments to the acceptance criteria and commission structure to support our goal of delivering good customer value.

4. Optimised and Efficient Operations

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

Linked KPIs:
- Operating Profit
- SII EV

Progress During 2022
- The 100-day plan of initial integration work on the back of the Quilter International acquisition completed in March 2022 and delivered early synergies to the Group. A comprehensive integration programme is underway with key milestones including:
  - The completion of the portfolio transfer of assets and liabilities in our Irish and Isle of Man insurance entities which will ultimately result in a single, regulated insurance entity in each jurisdiction
  - The completion of the rebrand from Quilter International to Utmost International
  - A single, combined Utmost International Isle of Man leadership team
  - Strong progress with the IT migration off Quilter plc systems

Forward-Looking Focus
- The completion of the integration of Quilter International into Utmost International is on track. The IT migration off of Quilter plc systems remains on track to complete within the timeframe set out at completion and will mark the formal completion of the Quilter International integration
- The Group is continuing to invest in its digital capabilities to meet evolving client expectations
- The Group has hired a Head of Procurement who will look to align our procurement process across the Group

£224m

OPERATING PROFIT

Case study

Completion of Portfolio Transfers of Asset and Liabilities

A key workstream of the Quilter International integration is the merger of the two Isle of Man insurance companies, and the two Irish insurance companies. This is in line with the Group's strategy to consolidate regulated insurance entities to one in each jurisdiction to create capital efficiencies and drive lower expenses from a reduction in governance costs.

In September 2022, the portfolio transfer of the assets and liabilities of Quilter International Ireland dac to Utmost PanEurope dac completed.

In November 2022, the portfolio transfer of the assets and liabilities of Utmost Limited into Utmost International Isle of Man Limited was concluded.

These transfers will ultimately have the effect of merging Utmost Group's two Irish insurance entities into Utmost PanEurope dac and two Isle of Man insurance entities in Utmost International Isle of Man Limited.

“ The Group’s growing scale demands focus on efficiency initiatives and streamlining of processes and systems. ”

“As stated by the Chair of the IPCC at the opening of COP27, the voice of science on climate change could not be sharper, stronger or more sobering: the world is not on track today to limit global warming to 1.5°C. The time for collective action is now. At Utmost, we are committed to driving forward with our Sustainability Strategy to help preserve the environment for future generations.”

The planet's long-term warming trend continued in 2022. The Earth's average surface temperature in 2022 tied with 2015 as the fifth warmest on record. Our warming climate is already making a mark with intense heatwaves breaking temperature milestones, droughts wreaking havoc, severe forest fires and rising sea levels.

Utmost is committed to do its part in addressing climate change, alongside its broader sustainability goals. The Group recognises the power of collective action. Through our being a signatory to the UN PRI, and a member of the IIGCC, we hope to exert collective influence with our industry peers to promote sustainable investment and contribute to developing a more sustainable global financial system.

In 2022, the Group demonstrated progress towards the commitments set out in its Sustainability Strategy. In this Sustainability Report, we provide details on the pillars of our Sustainability Strategy, our key commitments and progress towards these. The Group's TCFD Report 2022 is provided, with details of the Group's climate-related strategy, governance, risk management and metrics.

A key achievement in 2022 was the adoption of the Group's first Responsible Investment Policy. The Policy formalises the Group's net zero 2050 commitment for its shareholder investment portfolio. It outlines how the Group integrates ESG factors into its investment decision making. The Policy sets out guidelines for fund and manager selection, incorporating ESG factors as a part of this process.

The burning of thermal coal for energy is the single largest contributor to man-made global temperature increases, accounting for about one third of the 1.1°C temperature rise above pre-industrial levels already observed. Several other sectors cannot be decarbonised if power generation and supply are not decarbonised first.

With this in mind, the Board was pleased to adopt thermal coal exclusions into our Responsible Investment Policy.

The Group continues to champion measures to address the environmental impact of its own operations. In this Report, we detail initiatives to reduce our initial GHG emissions and foster a sustainable workplace.

The Group is supportive of developing industry standards on comprehensive and transparent sustainability disclosures. The Group supports the recommendations of the TCFD. It has continued to develop its sustainability reporting in 2022, making use of the data and tools available to it at the current time. We await the final International Sustainability Standards Board ("ISSB") sustainability standards drafts which aim to develop a comprehensive global baseline of sustainability disclosures, building on the recommendations of the TCFD.

Our organisation exists to support current and future generations to prosper. It is imperative we continue to consider the impact of our activities over the long term, not just for our customers, colleagues and capital providers, but for future generations. The actions taken by the Group reflect our commitment to build a better future. They reflect our respect for the environment. We are committed that our products and operations create a positive impact on our environment and the places we operate. Our Group is actively working to build a better future.

Paul Thompson
Group Chief Executive Officer

"Our mission is to secure our clients' financial futures through the delivery of insurance and saving solutions and life and pension solutions, which result in greater prosperity for present and future generations."

0.93 tCO_2e

GHG EMISSIONS PER EMPLOYEE

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

Our Sustainability Strategy is framed along four pillars: Environmental Impact, Customer Outcomes, Responsible Investment and Community Engagement. The strategy aims to integrate sustainability across our business to support the Group in making a positive difference.

In 2022 the Group has focused on embedding a sustainability focus in its business-as-usual processes. A key development was the formalisation of the Climate Risk Framework. The Group has developed its sustainability reporting, both through the provision of regular management information to the Board, for example through the development of a Climate Disclosure Dashboard to monitor and measure key metrics, and through the development of our TCFD.

Sustainability Working Group
The Group's Sustainability Strategy, including management of climate-related risks and opportunities, is implemented by the Sustainability Working Group ("SWG").

The SWG reports to the Group Executive Committee, where sustainability is a standing agenda item. The Group Executive Committee meets six times a year and supports the Board with fulfilling the commitments made as a part of the Sustainability Strategy.

The SWG comprises key functional representation from across the Group. It is chaired by the Head of Strategy and Corporate Affairs. The Group CEO is the executive sponsor of the SWG. The Working Group meets every month and is responsible for implementing the Sustainability Strategy and its underlying environmental commitments including initiatives which are climate-related.

Utmost Group Sustainability Strategy

Environmental Impact

Our Commitments
- Reduce and minimise the environmental impact of our operations
- Climate risk considerations embedded in business-as-usual processes
- Maintain a carbon neutral status in our operations
- Reduce the environmental impact of our supply chain, working with select organisations who operate in line with our corporate philosophy
- Supporter of the Financial Stability Board's TCFD
- Supporter of the Paris Agreement
- Committed to regular and transparent reporting on our sustainability activities

Key Highlights 2022
- Climate Risk Framework adopted across Utmost to embed climate risk consideration in day-to-day processes
- Carbon neutral operational footprint achieved through reduction and offsets
- Adoption of recycling solutions and green energy options

Customer Outcomes

Our Commitments
- Secure our customers' financial futures
- Continually develop our proposition in order to provide good client outcomes
- Provide excellent customer service and communicate openly and honestly with customers
- Provide sustainable investment options to our customers
- Provision of data to our customers which helps them understand the ESG characteristics of their investments

Key Highlights 2022
- New product launches and enhancements to existing products supportive of good client outcomes
- Launch of MyUtmost, our UK OSC for ULP customers
- Good customer outcomes demonstrated by harmonisation of our International OSC
- Implement the requirements of the UK FCA's new Consumer Duty
- Provision of additional Responsible Investment options to customers

Responsible Investment

Our Commitments
- Fulfil our duties as a signatory to the UN PRI and a member of the IIGCC including commitment to the six Principles › What are the six Principles? see page 32
- 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
- These targets align with reductions required to maintain a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement

Key Highlights 2022
- Establishment of a Responsible Investment Policy
- Pathway to Net Zero: Committed to be net zero by 2050 in our shareholder investment portfolio, with a 50% reduction by 2030
- Enhanced manager selection and monitoring processes introduced to embed ESG factors
- Introduction of thermal coal exclusions

Community Engagement

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
- Be an active participant in our local communities

Key Highlights 2022
- Maintained high level of diversity throughout our organisation including senior leadership
- Active participant in our local communities
- Over £110,000 raised for charitable causes

Environmental Impact

It is clear that man-made climate change is a threat to the health of our planet and to the wellbeing of all species inhabiting it. Reports published by the IPCC presented to the world in 2022 show that the technology and know-how to tackle climate change exist. However immediate and deep cuts in the emissions of GHG are required to keep global warming within limits, particularly below 1.5°C. This highlights the urgency of prioritising timely, ambitious, coordinated and enduring action.

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

In 2022, the SWG supported the implementation and embedding of the Climate Risk Framework. The Climate Risk Framework embeds climate-related risk within the Group's existing Risk Management Framework. The Group's governance framework, including the risk appetite, has been enhanced to address climate-related risk and opportunities.

The 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. The Framework provides guidelines for the Group's Functions to consider their management of climate-related risks, linking back to our overall strategy to manage and reduce our environmental impact.

The Group is committed to regular, transparent disclosures. The Group reports its Scope 1, 2 and selected Scope 3 operational emissions on a tCO_2e basis.

› Please see page 30 for the Group's Streamlined Energy and Carbon Reporting ("SECR")

The SWG has developed a Climate Disclosure Dashboard which is reported to the Board on a quarterly basis. This enables the Board to monitor and manage certain environmental metrics of its shareholder investment portfolio.

› Please see page 40 for further details of the Climate Disclosure Dashboard

For those currently unavoidable emissions, the Group uses carbon offsets, supporting projects that contribute to the mitigation of climate change, whilst also delivering tangible benefits to at-need communities. To offset the Group's 2021 emissions, the Group supported a renewable energy project in Brazil that alleviates deforestation, avoids GHG emissions and promotes a more sustainable supply chain.

The Group has hired a Head of Procurement. They will be mandated to understand the environmental credentials of our key third-party suppliers, introducing a Supplier Standard to embed minimum standards in line with the Group's carbon neutral commitment.

Our Community Group has promoted coordinated activity in our offices to raise awareness of the environmental impact of our activities and take actions to reduce these.

Activities include the installation of electric car chargers in two of our main offices, participation in Recycling Week to educate our employees on the benefits of recycling, and upgraded air conditioning systems. Our employees continued their voluntary litter picking and beach clean sessions to remove the litter that contaminates our seas and natural environment.

The Group is working with its landlords to raise awareness of the benefits of switching to renewable energy suppliers.

Navan Rewilding Project

Protecting our planet's biodiversity is critical. With biodiversity loss inextricably linked to climate change, these two pressing issues cannot be considered individually. The recent COP15 heralded a new historic global treaty on the conservation of the planet's lands and oceans likened to the Paris Agreement for Climate Change.

Employees in our Navan office have initiated a rewilding project with the aim to increase biodiversity in their local area to reduce the decline of wild bees, hoverflies, and other insects. Long term it will contribute to the creation of stable pollinator populations which are crucial for the natural ecosystem.

ENVIRONMENTAL IMPACT continued

Streamlined Energy and Carbon Reporting ("SECR")
The Group has measured its GHG emission sources on a tCO_2e basis in respect of the Group's operations, in accordance with the UK Government's SECR Guidance and as required under the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and GHG Protocol, and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs ("DEFRA") and the Department for Business, Energy and Industrial Strategy ("BEIS"). The assessment follows the market-based approach for assessing Scope 2 emissions from electricity usage.[1] The operational control approach has been used.

The Group has compared its 2022 GHG operational emissions against its baseline year of 2021.

The 2021 total tCO_2e emissions of 761.08 represents the emissions of the legacy Utmost Group employees for 12 months of 2021 and the legacy Quilter International employees for the month of December 2021. The calculations assume a weighted average of 1,009 employees for the year. The 2022 total tCO_2e emissions of 1,394.04 represents the emissions of the enlarged Utmost Group's employees for the whole of 2022. The calculation assumes 1,499 employees for the year.

2022 saw an increase in total energy consumed and in total CO_2e emissions. This is largely as a result of a full year of Quilter International colleagues, which gave rise to an increase in employee numbers, an increase in the prevalence of in-office working and a rise in business travel following the near-full lifting of pandemic-related restrictions.

Utmost Group will be offsetting these emissions through a Verified Carbon Scheme. Utmost has introduced several environmental initiatives throughout 2022 to reduce operational emissions. Details can be found in the Sustainability Report and TCFD Report.

The table below fulfils the requirements of the SECR framework, including our operational energy and carbon emissions. The data is for the reporting year: 1 January 2022 to 31 December 2022. A comparison to 2021 is provided. This is provided on a market-based emissions basis.

Utmost Group market-based emissions[2]

	2022		2021[3]	
Activity	UK Operations only	Global	UK Operations only	Global
Total energy consumed (kWh)	**774,852**	**3,862,278**	231,033	3,116,782
Total CO_2e emissions (in tonnes)	**192.28**	**1,394.04**	77.35	761.08
Scope 1	**90.83**	**233.54**	–	200.33
Scope 2	**100.02**	**666.62**	77.35	392.46
Scope 3	**1.43**	**493.88**	–	168.29
Intensity ratio (tCO_2e per employee)	**0.89**	**0.93**	0.44	0.75

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
3. Our 2021 emissions were restated following the publication of our 2021 Annual Report. This resulted in a decrease in our overall energy consumption and CO_2 emissions for both UK operations and Global operations

Customer Outcomes

The volatile macroeconomic environment and inflationary environment have created challenges for our policyholders looking to secure their financial futures. This is an environment in which our robust insurance and savings solutions can support our clients.

Supporting our customers to preserve and protect their savings to create a more secure financial future is at the heart of what we do. Throughout the year, our teams have worked closely with our customers and our partners to navigate the fast-changing landscape.

The ongoing development of our proposition has prioritised outcomes and value-for-money, which will help support our clients navigate this period. Examples include the provision of modern, flexible investment choices with the provision of ESG data and revised charging structures for some of our legacy savings products.

One way to support our clients is through accessibility. The Group has developed its UK and International OSCs in 2022. The changes improve customer accessibility to their policy information and valuations, whilst retaining access to our Client Service team for ongoing support and assistance with more complex issues.

The UK OSC, MyUtmost, launched in H2 2022. MyUtmost enables clients to view their policy values, communicate and transact online.

› Please see page 21 for a Case Study on MyUtmost

The International OSC have been harmonised to provide a consistent level of functionality to all clients.

The investment in online servicing reflects the benefits of being part of a larger, focused Group and is an outcome of our digital strategy, championed by our Group CTO.

The Group is supportive of the UK FCA's Consumer Duty, which will further strengthen focus around delivering good outcomes for customers. The Group is working through the implementation of the requirements. Our UK business has an established a Fair Customer Outcomes Group which governs the delivery of good customer outcomes, having regards to their characteristics and needs. Board-level champions have been appointed in our life companies to ensure the Duty is implemented and embedded in strategy and governance in each of the relevant operating businesses.

Utmost Technical Insights Series

Utmost ran nine sessions of its Technical Insights series in 2022. These sessions are targeted at our partners. Senior members of our Technical Services team present on the details of our propositions and potential benefits to clients as part of their overall wealth planning strategy. The sessions support advisers' technical understanding of our proposition so that they can best advise their clients on the most suitable solutions. In 2022 over 3,000 advisers attended these sessions.

Responsible Investments

The Group recognises its role as a long-term allocator of capital and the duty of care owed to our policyholders and our shareholders in the responsible allocation of their assets. In recognition of this duty, the Group is a signatory to the UN PRI and has committed to the six Principles for Responsible Investment.

The Group's Responsible Investment Policy is a key milestone in aligning the Group's approach to investment with the Principles.

In line with the UN PRI first principle, the Policy sets out how the Group will incorporate ESG factors into investment decision making processes. Our in-house investment manager is formalising their integration process in line with this first principle.

The Policy sets out the Group's commitment to align our portfolios with the aims of the Paris Agreement, the international treaty on climate change whose long-term temperature goal is to keep the rise in mean global temperatures to well below 2°C (3.6°F) above pre-industrial levels, and preferably limit the increase to 1.5°C (2.7°F), recognising that this would substantially reduce the effects of climate change.

A commitment to net zero is one of the clearest ways that we can tackle climate change and reduce global warming. Deliberate and proactive actions, as a Group and within the industry more widely, will be critical to limiting emissions and protecting our planet.

The Group is utilising third-party data and performing analysis of its shareholder investment portfolio as it builds out its Pathway to Net Zero, the strategy that will set out how the Group will achieve net zero by 2050. The Group's commitment will be supported by the greening plans of the UK and other G10 economies. The Group, however, will not be a passive bystander in the charge to net zero and a greener world, and will make proactive decisions to reduce our impact.

One example of this is the Group's introduction of a thermal coal exclusion. This is in recognition that the burning of thermal coal for energy is the single largest contributor to man-made global temperature increases. The Group will no longer invest in issuers who generate greater than 5% of their turnover from thermal coal in its shareholder investment portfolio.

The Group will work with its external investment managers to embed our expectations into our externally managed portfolios. We will enhance our selection, appointment and monitoring of the Group's investment managers to ensure our responsible investments expectations are being met through the investment cycle. Our oversight of our manager's approach to responsible investment and partnering with investment managers who are UN PRI signatories, is in line with Principle 4 and 5.

Our commitment to regular transparent disclosures, by ourselves, our investment managers and issuers we invest in, is in line with Principles 2, 3 and 6.

Principles for Responsible Investment

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest

Principle 4: We will promote acceptance and implementation of PRI within the investment industry

Principle 5: We will work together with other members to enhance our effectiveness in implementing PRI

Principle 6: We will report on our activities and progress towards implementing PRI

Source: https://www.unpri.org/

Community Engagement

Utmost Group aims to make a positive difference to our employees, our customers and our communities. Our employees are core to the success of the Group, both individually and collectively. It is an important priority of the Group that our employees enjoy a diverse and vibrant work environment which ensures they are fulfilled and committed. The actions we take are focused on making a tangible impact that leads to lasting change.

The Group prides itself on being an employer that celebrates difference and authenticity, where our employees are satisfied and appreciated. The Group is committed to providing opportunities and access to all. This year, we have made strides in our ambition to make financial careers accessible to all.

We have supported younger candidates by offering internships and mentoring on interview techniques. Our employees have supported a local secondary school, providing support and guidance to the students on career planning.

Core to the success of these initiatives is providing a work environment that encourages and welcomes diversity. We continue to foster a culture in which all have an equal opportunity to succeed.

The Group is passionate about contributing to local causes to support our local communities thrive and prosper. Our employees support a range of charities that aspire to create real and tangible change in their communities. All colleagues are offered a paid volunteering day, with our employees giving their time to enrich the communities in which the Group operates. The Group has a Community Engagement Working Group that meets quarterly with representatives to coordinate and collaborate with community-based initiatives.

Across the Group, we donated more than £110,000 to causes including mental health support and cancer, reflecting the depth of meaningful causes that our employees support. Looking forward, we will continue to provide the foundations for charitable donations to drive impactful change.

As a Group, we supported a range of charities in 2022, including:

LORD MAYOR'S APPEAL CHARITY

children's centre

JACK AND JILL CHILDREN'S FOUNDATION

SPACE

BREAST CANCER NOW The research & care charity

SOSAD Ireland

The Guernsey Society for Cancer Relief

ISLE LISTEN

Sources:
https://climate.nasa.gov/news/3246/nasa-says-2022-fifth-warmest-year-on-record-warming-trend-continues/#:~:text=Continuing%20the%20planet's%20long%2Dterm,GISS)%20in%20New%20York%20reported
https://www.climate.gov/news-features/understanding-climate/climate-change-global-temperature#:~:text=Earth's%20temperature%20has%20risen%20by,0.18%C2%B0%20C)%20per%20decade

TCFD REPORT

Utmost Group's mission is to secure our clients' financial futures through the delivery of insurance and savings solutions, which result in greater prosperity for current and future generations. It is this mission which drives our Sustainability Strategy and related commitments, which sit alongside the Group's four strategic pillars. Our mission is a sign of our commitment to act and invest in a way that supports a sustainable future.

As stated by the Chair of the IPCC at the opening of COP27, the voice of science on climate change could not be sharper, stronger, or more sobering: the world is not on track today to limit global warming to 1.5°C. The time for collective action is now.

Reports by the IPCC presented in 2022 warned that the world is set to reach the 1.5°C level within the next two decades. The Group recognises that material steps are required now to significantly cut carbon emissions, the reduction of which is crucial to prevent an environmental disaster.

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

Small changes every day to make a big impact. Through our values we are:

Inspiring
Motivated
Personable
Adaptable
Collaborative
Trustworthy

> "Our mission is a sign of our commitment to act and invest in a way that supports a sustainable future."

Paul Thompson
Group Chief Executive Officer

Governance

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.

The Board oversees the delivery of the Group's Sustainability Strategy, a key element of which is the management of climate-related risks and opportunities. Paul Thompson, Group CEO, is the Executive Board Director with overall responsibility for the Sustainability Strategy. This incorporates the Group's approach to climate-related risks and opportunities. The Group CEO is informed of climate-related issues via the SWG of which he acts as executive sponsor.

Sustainability, incorporating climate-related risks and opportunities, is a regular agenda item at the Board. The Board meets at least four times each year. Topics under discussion during the year have included responsible investments and community engagement. The Board had a dedicated training session on the Climate Disclosure Dashboard to better understand the metrics provided. The Board considered and approved the Group Responsible Investment Policy, which incorporates goals and targets with regards the approach to climate-related risks and opportunities.

In light of the global threat of climate change and the potential impact of this on society and infrastructure as well as the geopolitical and macroeconomic environment, the Group identifies climate-related risks as a key risk to the strategic aims of the organisation alongside the broader risks associated with sustainability. The Group Audit, Risk and Compliance Committee ("ARCC") sets the Group's risk appetite for exposure to climate-related risks. The Group ARCC meets at least four times each year. The Group ARCC met on six occasions in 2022 and climate change was discussed on two occasions. Topics under discussion included the Group's exposure to climate-related risks as informed by climate-related stress and scenario testing, the climate risk appetite, the climate risk framework and the Climate Disclosure Dashboard that is used to monitor the Group's risk profile in relation to climate-related risks.

Senior management keep the Board and the ARCC apprised of any changes in climate-related risks and opportunities as these impact the Group including regular reporting through the Group Risk Report and Climate Disclosure Dashboard. Annual stress and scenario testing is carried out across the Group. This provides quantitative and qualitative information on the Group's exposures to climate-related risks covering a range of aspects including our investment portfolio and the resilience of our operational capabilities.

More information on climate risk can be found in the Risk Management Report on page 52.

The ARCC has a key oversight role of the Group's internal controls and financial reporting procedures. The Group ARCC will be recommending the Annual Report 2022, including the TCFD Report to the Board for approval. The Group views climate-related issues as cross-cutting across the organisation. In line with this, climate-related risks have been incorporated within the Group's existing risk framework.

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

Climate-related issues are considered as a part of the Group's ongoing strategy and development programmes. Some examples are included in the table below.

Consideration of Climate-Related Issues

Function	Description
Investments	– Assess and monitor the climate-related risk profile of investments on a quarterly basis – The Group Responsible Investment Policy was introduced to govern how sustainability, including consideration of climate-related issues, is incorporated into the Group's investment and manager selection processes
Product Development	– New products and enhancements are viewed through a sustainability lens which considers any climate-related risks and opportunities
Acquisitions/Divestitures	– Climate-related risks and opportunities are considered as a part of due diligence – Integration programmes consider climate-related risks and opportunities across the workstreams
Operations and Technology	– Consider impact of climate-related issues on offices and back-up sites – Our Customer Service and IT teams are working to increase the availability of paperless servicing to policyholders to reduce the Group's environmental footprint – Working with our landlords to transition towards low-carbon energy supply
Risk	– Risk policies and risk appetites have been reviewed to incorporate climate-related risks and opportunities – Appropriate metrics have been introduced into the Group's risk appetite
Remuneration	– The Group's Remuneration Policy embeds consideration of sustainability into the Group's approach to remuneration. 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's Risk Appetite statement incorporates climate-related metrics to enable the Board to track the Group's exposure to climate-related issues. The Board Risk Report presents how exposure to climate-related issues has tracked on a quarterly basis.

The SWG developed a Climate Disclosure Dashboard in 2022, following the guidance of the Climate Financial Risk Forum ("CFRF"). The Climate Disclosure Dashboard is presented to the Board on a quarterly basis. Its purpose is to enable to Board to review a range of climate-related metrics relating to the Group's investments to enable the Board to discharge its duty of monitoring and overseeing progress against the Group's climate-related commitments.

In 2022, climate training was delivered to the Board and the subsidiary boards and Executive Committees, which focused on the metrics reported in the Climate Disclosure Dashboard.

The Group's Sustainability Strategy, including management of climate-related risks and opportunities, is implemented by the SWG. The SWG reports to the Group Executive Committee, where sustainability is a standing agenda item. The Group Executive Committee meets six times a year and supports the Board with oversight of the Sustainability Strategy.

The SWG comprises key functional representation from across the Group. It is chaired by the Head of Strategy and Corporate Affairs. The Group CEO is the executive sponsor of the SWG. The Working Group meets monthly and is responsible for implementing the Sustainability Strategy and its underlying environmental commitments including initiatives which are climate-related. The structure of the SWG ensures sustainability and climate-related matters are implemented consistently across the Group.

The duties of the SWG 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 including the production of suitable management information; ensuring the Group fulfils its regulatory obligations as applied to climate-related issues and the production of climate-related policies; and frameworks to ensure focus on climate-related issues is embedded across the Group.

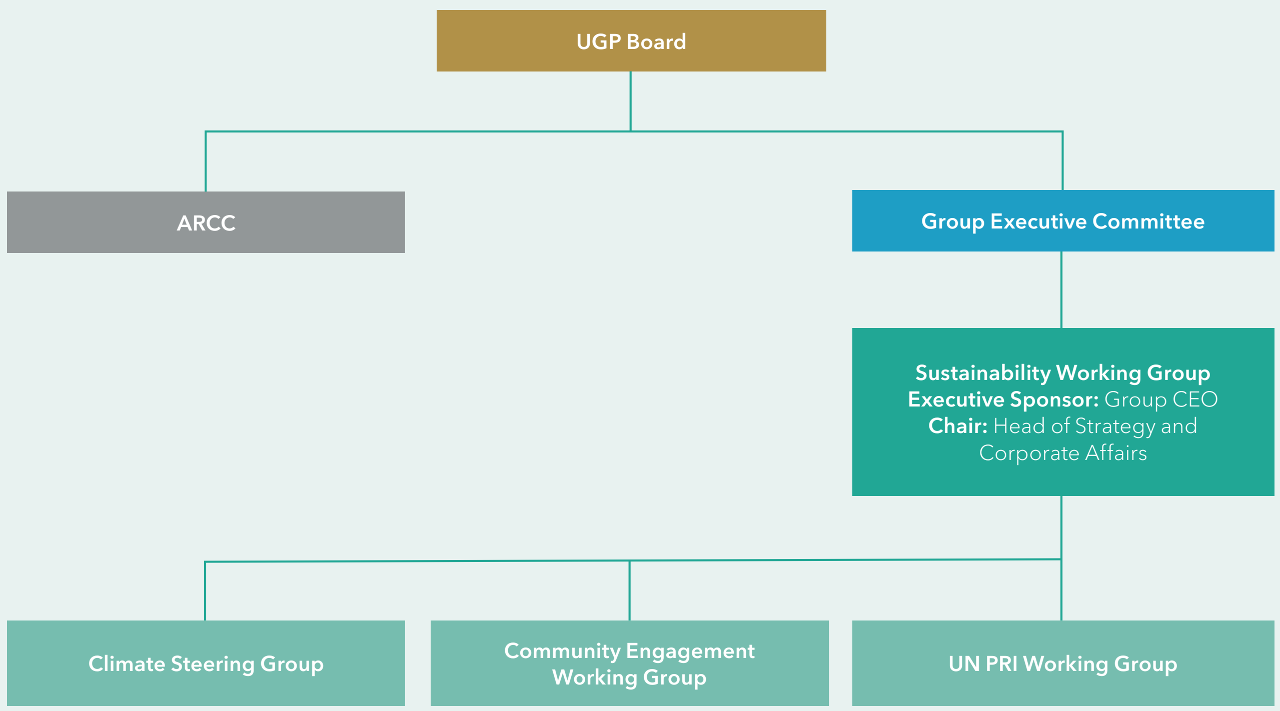
In 2022, the SWG supported the implementation and embedding of the climate risk framework. The Group's governance framework, including the risk appetite, has been enhanced to address climate-related risk and opportunities.

The SWG is supported by the Climate Steering Group. The aim of the Steering Group is to ensure Utmost Group has an integrated approach to managing climate-related risk and opportunities and a strategic approach to managing climate change. It comprises key executive representatives from across the business and meets monthly. The Climate Steering Group is chaired by the Group Head of Risk and Compliance and reports to the Group ARCC and the SWG.

Sustainability is a regular agenda item at the subsidiary boards. The operating businesses have initiated local Sustainability Working Groups as appropriate to the size and regulatory requirements of their entity.

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 board and Executive Committee.

Governance



Strategy

The decarbonisation of the global economy as it transitions towards net zero poses a number of risks and opportunities to our Group. Utmost Group is exposed to transition risks and physical risks. These impacts are summarised in the table below and considered over the following time horizons: Short term < 5; Medium term 5 – 10 years; and Long term > 10 years.

	Climate-Related Risks	Potential Financial Impacts	Timeframe
Transition			
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 substituted with lower emissions 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 for products due to shift in consumer preferences – 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			
Acute	– Increased severity of extreme weather events such as cyclones and floods	– Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism) – Reduced revenue due to investment return impacts	Short
Chronic	– Changes in and extreme variability in weather patterns – Rising mean temperatures – Rising sea levels	– Demographic assumption changes impacting profitability – Negative impact on asset prices impacting profitability – Operational disruption increases expenses	Long

Utmost Group also considers climate-related opportunities.

	Climate-Related 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
Products and Services	– Development and/or expansion of product range to meet shifting consumer preferences – New investment opportunities	– Increased revenue through demand for lower emissions products and returns on investments – Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	– Access to new asset types	– Increased diversification of financial assets (e.g., green bonds and infrastructure)
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

Each functional area in each entity is tasked with considering climate-related issues as a part of their business management. Utmost Group aggregates the entity level risks to assess the overall Group exposure. Executive Committee members are responsible for ensuring that their function areas have embedded consideration of climate-related issues into business planning and management. Resources are prioritised according to issues which are considered more material.

The Group considers how climate-related issues may impact its business, strategy and financial planning:

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's commitment will be supported by the greening plans of the UK and other G10 economies.

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.

	Impact on Businesses, Strategy, and Financial Planning
Products and Services	– Proposition team has introduced an assessment of climate-related risks and opportunities as part of their development process
Supply Chain and/or Value Chain	– The Group has hired a Head of Procurement who will be responsible for embedding consideration of climate-related issues into our third-party supplier management
Operations	– Our facilities team consider energy usage and encourage our landlords to switch to renewable energy sources – Recycling has been introduced across our offices – The resilience of our office portfolio to acute events is regularly assessed
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 requirements 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 well 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

Risk Management

Risks associated with climate change have increasingly moved from emerging risks to ones that are actively tracked and managed across the industry. The Bank of England and the PRA have highlighted climate-related risk as a key area of focus. The Group's success in achieving its vision to better serve all stakeholders will in part be defined by how well the Group, and society, addresses this key risk.

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. In order to articulate this approach, the Group has set out a Climate Risk Framework consistent with this approach to embed climate-related risk within the Group's existing Risk Management Framework. This 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. The Group believes this approach is appropriate given the expected materiality of climate-related risks on the Group.

The Group's strategy is to reduce and minimise the environmental impact of its operations while achieving its overarching business objectives. This entails embedding a sustainable mindset into its corporate philosophy. All staff are expected to consider and identify potential climate risks as part of their business as usual ("BAU") activities and decision-making processes. Business entities must identify any significant environmental impacts produced by their operations and put processes into place to prevent, reduce and mitigate them.

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.

Stress and scenario testing is used by the Group to help assess the potential impact of a range of plausible climate change pathways on the Group's strategic objectives and to identify areas where additional controls or mitigants could be put in place. This is embedded through the Group and entity Own Risk and Solvency Assessment ("ORSA") processes and includes qualitative and quantitative assessment of climate-related risks on the Group's operational capabilities as well as its financial resources. The Group's assessment is 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.

The Board and Senior Management are expected to engage with, understand and oversee operational and financial risks from climate change, with a clear accountability for climate change. Overall responsibility for the framework for the identification, assessment, management and reporting of climate-related financial risks and opportunities sits with the Group Head of Risk and Compliance.

Scenario Testing

A top-down assessment of the potential impact of climate change across the Group's strategic objectives has been carried out based on the three pathway scenarios set out by the PRA in its 2019 Life Insurance Stress Test ("LIST") exercise:

- **Scenario 1:** A sudden transition (a Minsky moment), ensuing from rapid global action and policies, and materialising over the medium-term business planning horizon that results in achieving a temperature increase being kept below 2°C (relative to pre-industrial levels) but only following a disorderly transition. In this scenario, transition risk is maximised. The scenario is based on the type of disorderly transitions highlighted the IPCC Fifth Assessment Report (2014).
- **Scenario 2:** A long-term orderly transition scenario that is broadly in line with the Paris Agreement. This involves a maximum temperature increase being kept well below 2°C (relative to pre-industrial levels) with the economy transitioning in the next three decades to achieve carbon neutrality by 2050 and GHG neutrality in the decades thereafter. The underlying assumptions for this Scenario are based on the scenarios assessed in the IPCC Special Report on Global Warming of 1.5°C (2018).
- **Scenario 3**: A scenario with failed future improvements in climate policy, reaching a temperature increase in excess of 4°C (relative to pre-industrial levels) by 2100 assuming no transition and a continuation of current policy trends. Physical climate change is high under this scenario, with climate impacts for these greenhouse gas emissions reflecting the riskier (high) end of current estimates.

The assessment has been based on the Group's risk universe to provide an indicative assessment of the potential impact of a crystallisation of a pathway on the risk profile of the Group.

The assessment indicates that the Group is currently well positioned in relation to an orderly transition to a low carbon economy. However, should the transition pathway follow a sudden (or disorderly) transition, there are a number of areas of potential impact both in terms of the Group's financial risks and the impact of changes in the external operating environment. In all scenarios, potential exposures are expected in relation to brand perception, the impact of changes and/or volatility in the geopolitical and macroeconomic markets and the impact of regulatory and legislative change as governments and regulators look to mandate climate-related practices within their work.

Under a sudden, disorderly transition scenario, the largest exposures are expected to be in relation to changes in the geopolitical, macroeconomic and regulatory environments as governments, markets and regulators look to rapidly transition and new regulations are introduced.

The larger financial and insurance impacts are expected to be under a "no transition" scenario. Under this, while regulatory and legislative change is more restricted, the impacts are expected to crystalise through extreme climate changes and weather patterns resulting in significant market volatility and shocks as well as adverse changes in life expectancy and health.

The risks associated with brand perception primarily arise through the potential view from stakeholders that the Group is either not doing enough in relation to transitioning its operations towards a low carbon footprint or is facilitating climate change through its operations, products and/or investments. The risks associated with brand perception are likely to increase over the coming years with projected increases in climate-related regulation and stakeholder expectations.

These risks are being actively managed across the Group with proactive approaches to measuring and reducing the Group's environmental footprint.

While the nature of the Group's products makes it difficult to actively position assets under administration in line with a low carbon economy, particularly where products have an open investment architecture, nudge techniques are used including providing ESG scores on all fact sheets for clients.

Stress Testing

The scenario testing is supported by a stress test which assesses 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 applied as at year end ("YE") 2021 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 and 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.

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 on-going basis. The metrics are reported on at least a quarterly basis to the appropriate Board risk committees as part of ongoing risk reporting.

Strategic External Risk Metrics	Reporting Level	Frequency	Metric	Green	Amber	Red
Climate Change Transition Risk: Exposure to Carbon-Related Assets	Group Only	Quarterly	Percentage of carbon-related assets in the shareholder investment portfolio	≤20%	>20% and ≤30%	>30%
Climate Change Physical Risk: Physical Risk Exposure of Shareholder Assets	Group Only	Quarterly	Sensitivity Weight Adjusted Composite of shareholder investment portfolio	≤40	>40 and ≤50	>50

Utmost Group produces an internal Climate Disclosure Dashboard ("Dashboard"). The purpose of the Dashboard is to provide climate-related data to the Board in order that they can track certain of 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.

Given the developing nature of climate-related metrics, the Board has elected not to provide quantitative data in its Annual Report at present.

The Group is committed to transitioning its shareholder investment portfolio to net zero GHG emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement. The Group has set an intermediate goal to halve the GHG emissions of its investment portfolio by 2030. This is an intensity-based target tracked using Carbon Intensity. YE 2020 will be used as the baseline position against which progress will be assessed.

Carbon Intensity for the shareholder investment portfolio is assessed on a quarterly basis enabling the Board to check progress against the target. The investment teams will proactively manage the shareholder investment portfolio to achieve the 2050 net zero and 2030 intermediate targets.

Carbon Intensity Measures

Government Bond
Territorial Emissions tonnes CO_2e/PPP GDP m USD

Corporate Bond
Tonnes CO_2e/m USD borrower revenue

The Group will be drafting a public Pathway to Net Zero document. The intention is that this Pathway includes quantitative measures, which will be subject to data availability and quality. The Group is completing a detailed analysis of the individual assets and sectors in its shareholder investment portfolio to aid in the production of the Pathway to Net Zero.

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.

Remuneration – across fixed and variable pay elements – is based on individual and business performance, and performance reviews incorporate consideration of how the Group has achieved against its sustainability objectives.

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.

Utmost Group manages predominately unit linked lines of business, with limited insurance risks. The policies may have some exposure to mortality and/or longevity risks. The Group continually monitors its mortality and longevity exposure to identify any outcomes that are materially different from the assumption made and factors these into the Group's overall reserving assumptions accordingly.

› Please see the Risk Management Report on page 52

The Group reports its operational GHG emissions in its SECR. The measurement incorporates Scope 1, Scope 2 and selected Scope 3 emissions.

› Please see page 30 for the Group's SECR including GHG emissions

The Group has committed to be carbon neutral in its operational emissions. The Group achieved a carbon neutral status for 2020 and 2021 through carbon offsetting and will do the same for our 2022 emissions. The carbon emissions caused by our organisation will be offset by funding an equivalent amount of carbon savings elsewhere in the world.

› Please see page 26 of the Group's Sustainability Report for ongoing initiatives to reduce our operational GHG emissions across the Group

KEY PERFORMANCE INDICATORS

Assets under Administration

AUA

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

Measure

AUA was £58.4bn at YE 2022 compared to £63.7bn at YE 2021.

Commentary

"AUA decreased in the period due to adverse market movements, driven by lower market values for all asset classes. Strong net flows were seen in the period supported by high client retention rates. Gross inflows were £4.2bn offset by outflows of £2.9bn."

£58.4bn

Link to Strategic Goals

Annual Premium Equivalent

APE

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

Measure

APE was £397m in 2022 compared to actual APE of £279m and pro forma APE of £484m in 2021. Our UWS business generated £393m of APE and our UCS business generated £4m of new business.

Commentary

"Utmost International's new business figures reflect the lower volume of new business in our established markets offset by strong sales performance in our growth markets."

£397m

Link to Strategic Goals

Value of New Business

VNB

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

Measure

VNB was £48m in 2022 compared to the 2021 actual figure of £42m and the 2021 pro forma figure of £66m.

Commentary

"The increase in VNB primarily reflects the increase in the quantum of new business written, largely as a result of the acquisition of Quilter International. The reduction in VNB relative to the pro forma 2021 figure reflects the reduction in APE and changes in the mix of business written."

£48m

Link to Strategic Goals

Operating Profit

OP

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 items.

Measure

Operating Profit was £224m in 2022 compared to the 2021 actual figure of £132m and the 2021 pro forma figure of £220m.

Commentary

"The increase in Operating Profit compared to the pro forma 2021 outcome reflects lower operating expenses offset by lower charges received as a result of the declines in the value of unit funds."

£224m

Link to Strategic Goals

Solvency II Economic Value

SII EV

SII EV is the Group view of the aggregate value of the business. It is calculated by adding the 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.

Measure

Net SII EV decreased by £405m from £2,175m at the end of 2021 to £1,770m at YE 2022.

Commentary

"Net SII EV of £1,770m at YE 2022 decreased by £405m from the £2,175m at the end of 2021, primarily as a result of the payment of £500m in dividends. Adjusted for dividends, the Group achieved an increase in Net SII EV of £95m as VNB and operational improvements overcame the impact of adverse market movements."

£1,770m

Link to Strategic Goals

Client Retention

Client Retention is a measure of the clients who held an Utmost policy at the start of the year, and still held that policy at the end of the year.

Client Retention is an indicator that our strategic goals, especially around good client outcomes, are being met.

The Group revised the calculation of its Client Retention KPI in 2022.

The previous calculation measured only voluntary exits i.e., where a policyholder made an active decision to surrender their policy. It was calculated as: 1 – (Voluntary Policy Exits in the Period)/(Total Policy Count at the Start of the Period).

The revised KPI measures all exits, both voluntary and involuntary. As a consequence, it will produce a figure that is lower than the old measure. The revised 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).

Measure

Client Retention has been measured separately across each business given their different dynamics. UWS Client Retention on the revised basis was 94% in 2022 (2021: 93%). Retention across all our businesses can be seen in the table on the right.

Commentary

"High retention rates are a reflection of good client servicing and the delivery of appropriate solutions. UWS' high retention rate increased from 93% in 2021 to 94% in 2022, reflecting our good client service and the long-term value of our proposition."

Client Retention – Revised Basis

	FY 2022	FY 2021
UWS	94.0%	92.8%
ULP	93.2%	91.8%
UCS	87.9%	77.3%[1]

1. Reflects closure of Caribbean business

94%

Link to Strategic Goals

Our Strategic Pillars

1. Good client outcomes
2. Growth through acquisitions
3. Organic growth
4. Optimised and efficient operations

"In 2022, the Utmost Group performed extremely strongly despite the difficult geopolitical environment and volatile investment markets."

Ian Maidens
Group Chief Financial Officer

Utmost Group delivered strong results for 2022, a year in which the difficult geopolitical environment resulted in more volatile investment markets than we have become accustomed to in the last decade.

In this CFO review, the comparative results for full year 2021 are in most cases included on a pro forma basis including the Quilter International business for the whole of 2021 in order to provide a more meaningful view of the Group's progress in 2022. The pro forma information is unaudited. As required under IFRS standards, the Group's Consolidated Statement of Comprehensive Income on page 86 reflects only one month of ownership of Quilter International in 2021 as the acquisition completed on 30 November 2021.

The financial performance of the Group is assessed using a variety of financial measures including our six KPIs (see page 42 of the Strategic Report), each of which is discussed in detail below. These KPIs are considered alternative performance measures ("APMs") and are reconciled back to audited IFRS information on pages 135 and 136 of this Annual Report.

Assets Under Administration

The Group's AUA was £58.4bn at YE 2022, a reduction of £5.3bn from the YE 2021 AUA of £63.7bn. The bulk of the movement in the Group's AUA in 2022 was driven by lower market values for all asset classes, offset to some extent by strong net flows. 2022 net flows were supported by a resilient new business performance and high client retention rates. Utmost International gross inflows were £4.2bn and its outflows were £2.9bn to give Utmost International net flows of £1.3bn (£1.5bn on a pro forma basis in 2021) as shown in Figure 1 below.

The majority of the assets are backing unit linked policies within our UWS and ULP businesses, with a small proportion of assets (approximately 2%) backing pension and savings products within the UCS business and non-linked business within ULP.

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

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

The performance of the ULP fund range was strong with over 90% of unit linked AUA outperforming its benchmark over two years to YE 2022. ULP consistently monitors asset performance, including that of the unit linked funds, particularly in relation to the Managed Funds operated by J.P. Morgan Asset Management ("JPMAM"), which form the majority of the unit linked AUA.

> "The financial performance of our existing business was very strong and we completed the vast majority of the integration activities resulting from the acquisition of the Quilter International business."

Figure 1: AUA Analysis Showing UWS Net Flows (in £bn)

	Opening AUA 1 Jan	Inflow	Outflow	Net Flow	Market	Closing AUA 31 Dec
2022	**55.9**	**4.2**	**(2.9)**	**1.3**	**(5.3)**	**51.9**
2021 pro forma	51.1	4.8	(3.3)	1.5	3.4	55.9

Figure 2: Key Performance Indicators

	2022 total £m	2021 total £m
AUA	**58,395**	63,669
APE	**397**	484[1]
VNB	**48**	66[1]
Operating Profit	**224**	220[1]
SII EV	**1,770**	2,175
Client Retention[2]		
UWS	**94%**	93%
ULP	**93%**	92%
UCS	**88%**	77%
Other financial highlights		
IFRS Profit before tax	**19**	388
Expenses	**181**	124

1. 2021 APE, VNB and Operating Profit are shown on a pro forma basis as if the Quilter International business had been part of the Group for the whole of 2021
2. The Group revised the calculation of its Client Retention KPI in 2022. The previous calculation measured only voluntary exits whereas the revised KPI measures all exits, both voluntary and involuntary

STRATEGIC REPORT

New Business Annual Premium Equivalent

APE was £397m in 2022 compared to APE of £484m in 2021 on an unaudited pro forma basis, as if Quilter International had been part of the Group for the whole of 2021. 2022 saw a difficult economic environment, with very volatile investment markets and significantly elevated levels of inflation for the first time in a generation, together with rising geopolitical concerns following Russia's invasion of Ukraine. In this environment our sales and marketing teams did an excellent job, working closely with our distribution partners, to maintain strong new business performance. The 18% reduction in APE in 2022 compared to the 2021 pro forma performance reflects lower volumes of new business in established markets offset by a strong sales performance in the Group's growth markets.

UWS APE of £393m in 2022 can also be compared to actual 2021 APE of £279m. This figure takes account of Quilter International new business only from completion of the acquisition on 30 November 2021.

UCS APE was £4m in 2022 compared to £11m in 2021. Retention rates within UCS remained strong, reflecting our commitment to market-leading service and efficient claims administration in this business.

Value of New Business

VNB is a measure of the profitability of new business written after allowing for the cost of administering it. VNB is calculated on an economic basis, consistent with the Solvency II balance sheet and adjusted to include value that would otherwise be excluded by the application of contract boundaries. In 2022, the Group's VNB was £48m, a 27% reduction compared to the 2021 VNB (on an unaudited pro forma basis) of £66m. The reduction in VNB primarily reflects the reduction in new business written, as demonstrated by the reduction in APE, and changes in the mix of business written.

The VNB margin (VNB divided by APE) reduced from 13.6% in 2021 to 12.1% in 2022. 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.

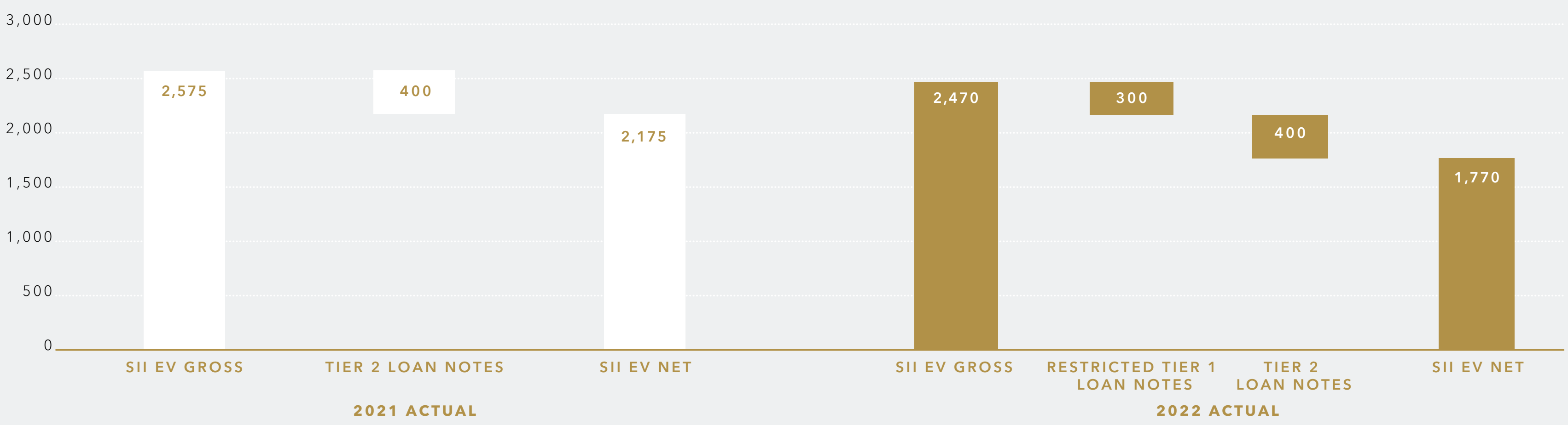
– For the operating life companies, SII EV is largely derived from components of the Solvency II balance sheet and the calculation methodology results in an outcome which is broadly equivalent to an old style "market consistent embedded value" before allowance for the cost of non-hedgeable risks
– For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

The Group SII EV (net of debt) reduced from £2,175m at 31 December 2021 to £1,770m at 31 December 2022. On a gross basis, as shown by the chart below, SII EV reduced from £2,575m to £2,470m. The most significant influence on the reduction in net SII EV was the payment of £500m dividends through the year. During the year, the Group issued £300m 6.125% RT1 loan notes followed by the Utmost Group plc ("the Company") paying a £290m dividend to Utmost Holdings (Guernsey) Limited ("UHGL"). This dividend allowed UHGL to repay all of its outstanding bank debt and return capital to shareholders. All of the Group's debt liabilities therefore now sit with the Company.

Adjusting for the RT1 issue and dividend to UHGL, the unaudited pro forma SII EV position of the Group at end 2021 would have been Gross SII EV of £2,581m, debt of £700m and Net SII EV of £1,881m. The reduction from this pro forma YE 2021 Net SII EV of £1,881m to the £1,770m Net SII EV at YE 2022 reflects a number of offsetting factors including the payment of a further £210m of dividends during the year, £36m of coupon payments on the RT1 and Tier 2 loan notes, the impact of market movements and the addition of VNB.

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

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



Operating Profit

Operating Profit, as an APM, for 2022 was £224m. This compares to an Operating Profit for 2021 of £220m, on a pro forma basis as if the Quilter International business had been owned for the whole year, and the actual 2021 Operating Profit of £132m. The increase in Operating Profit compared to the pro forma 2021 outcome reflects lower operating expenses partially offset by lower charges received as a result of the decline in the value of unit funds.

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.

The Group revised the calculation of its Client Retention KPI in 2022. The previous calculation measured only voluntary exits i.e., where a policyholder made an active decision to surrender their policy. The revised KPI measures all exits, both voluntary and involuntary. As a consequence, it will produce a figure that is lower than the old measure. The revised KPI is influenced by factors such as the average age and duration of the book, longevity and mortality. UWS client retention was 94% in 2022 (2021: 93%) on the revised basis. 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 maintained strong relationships with leading global employee benefit providers across its core Irish and Pan European markets. UCS' Global Risk Solution provides a differentiated proposition which is attractive to global multinationals who can provide cover across multiple jurisdictions under a single benefits programme. Client retention was 88% (2021: 77%) reflecting its competitive renewal rates and good client service, which is supported by ongoing investments in our OSCs. In 2021, client retention of 77% on the revised measurement basis included the impact of the closure of the Caribbean business and associated exit of approximately 400 schemes. The business continues to monitor any after-effects of the pandemic on claims experience.

In 2022 ULP retained the vast majority of clients and its retention rate was better than our long-term assumptions. As a result, the YE 2022 SII EV for ULP reflected an uplift from a reduction in the assumption of future lapse rates. We have seen that trend continue into 2023.

IFRS Profit Before Tax

The Group's IFRS Profit before Tax ("IFRS PBT") for 2022 is £19m, compared to £388m in 2021, as reported in the financial statements. IFRS PBT includes one-off items such as gains arising on bargain purchase, which totalled £310m in 2021. This gain arose as a result of the acquisition of the Quilter International business in November 2021. The equivalent figure in 2022 was £0m as no additional businesses were acquired during the year. Due to the impact of one-offs such as gains arising on bargain purchase, the directors consider Operating Profit to be the key performance indicator of the Group's profitability for internal purposes, and view IFRS PBT as a further financial metric of profitability.

IFRS Equity

The IFRS equity of the Group decreased from £1,450m at 31 December 2021 to £1,263m at 31 December 2022. Of this £1,263m, £298m relates to the RT1 loan notes which are treated as equity in the IFRS accounts. Deducting the value of the RT1 loan notes from equity would result in shareholders equity reducing by £485m in 2022. This reduction primarily reflects the £500m of dividends paid by the Company during the year with the £224m Operating Profit largely offset by the amortisation of acquired value of in force business (£157m), one-off development expenses (£27m) and finance costs (£31m) which include for this purpose the coupon payable on the RT1 loan notes which are treated as a distribution of profit in the IFRS financial statements.

Expenses

On an actual basis, as included in the consolidated financial statements, administrative expenses were £57m higher at £181m in 2022 compared to £124m in 2021, with a breakdown in Figure 4.

The increase in administrative expenses on an actual basis is the net result of a number of factors. Primarily the inclusion of twelve month's expenses in relation to the Quilter International business in 2022 compared to one-month of expenses (post acquisition on 30 November 2021) for the Quilter International business in 2021 and increased integration project costs and the continuing work to fully separate Quilter International's systems from those of Quilter plc (this work is expected to complete in the fourth quarter of 2023). Cost control remains a key pillar of our Target Operating Model and we will continue to create operational savings and drive synergies throughout the business in the coming years. 2022 operating expenses of £147m are £8m lower than the unaudited pro forma basis expenses of £155m in 2021.

Figure 4: Expenses

	2022 £m	2021 £m
Operating Expenses	147.4	107.9
Depreciation/Amortisation	6.8	5.3
Development Expenses	27.2	10.9
Total	181.4	124.1

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 2022 Business Plan using economic assumptions at 30 June 2022 with no allowance for the actual performance of investment markets over the second half of 2022 (in practice the actual gross SII EV at 31 December 2022 was £2,470m, around £100m higher than projected in the plan). The analysis excludes the impacts of new business and does not include approximately £350m of existing capital in excess of capital policies at YE 2022. Total capital emergence over the projected life of the in-force business including this £350m is estimated as £3,077m. 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 £253m to Group holding companies during 2022 and the Isle of Man operating business paid a further dividend of £38m to Group in January 2023.

Figure 6 below shows the capital impact of writing new business during 2022. The Group invested £19m of capital to support the writing of approximately £4bn of new business liabilities in 2022. This is both an absolute and relative reduction in capital investment compared to 2021. The relative reduction is primarily driven by the merger of the Utmost Limited business into Utmost International Isle of Man Limited ("UIIOM", formerly Quilter International Isle of Man Limited ("QIIOM")). UIIOM is currently subject to both Isle of Man Financial Services Authority ("IoM FSA") and Hong Kong capital requirements. In 2021 the Hong Kong capital requirements were more onerous in QIIOM, increasing the capital invested, however the mix of business in UIIOM following the business merger means that overall it is the IoM FSA capital requirements that bite in 2022 rather than the Hong Kong capital requirements.

These figures demonstrate Utmost Group's capital light approach to product design. The new business written in 2022 adds an additional £114m of capital emergence, further enhancing the Group's anticipated capital generation over and above what is shown in Figure 5. This additional return of £114m compares to the VNB written in 2022 of £48m (the difference reflecting the lack of discounting, the inclusion of real-world investment returns and the return of capital invested).

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

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

The aggregate cash expected to emerge from the in-force business of £3,077m is expected to be utilised as shown in the table below.

Interest on debt capital instruments[1]	£202m	(assumes RT1 repaid at first call date)
Repay debt capital instruments	£700m	
GHO expenses[2]	£226m	
Available for dividend or reinvestment	£1,949m	(to finance new business, finance new acquisitions, or paid to shareholders as dividends)
Total	£3,077m	

1. Net of 25% tax relief
2. Group Head Office ("GHO") expenses approximated as 30 times long-run expense estimates, net of 25% tax relief

Figure 5: In-Force Emergence of Surplus Capital (in £m)

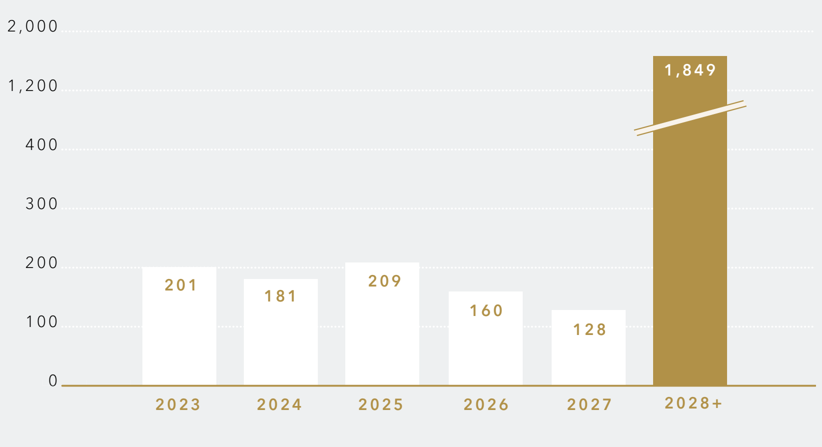
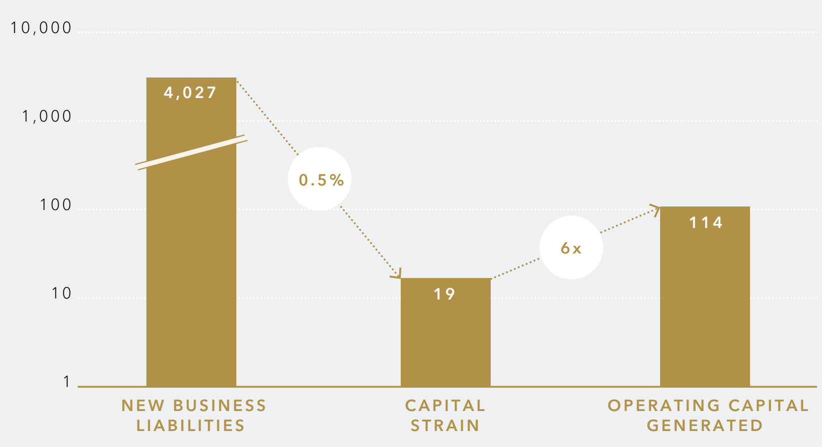


Figure 6: Capital Impact of Writing New Business (in £m)



Operating Company Liquidity

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

Due to the nature of the unit linked product set, policyholder-related liquidity requirements are relatively low.

The main liquidity requirements in our operating companies relate to expenses and policyholder claims on non-linked business. 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.

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.

Capital Strength and Solvency Position

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

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

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

The Group's life companies seek to maintain a strong solvency position and have each adopted capital policies to ensure that this is the case. The capital policies for the various life companies within the Group are summarised in Figure 7 together with their actual Solvency Coverage Ratios as at end 2022. The Solvency Coverage Ratio ("SCR") of each entity at 31 December 2022 was comfortably in excess of its capital policies, as shown in Figure 7.

UW and 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 2022 the Solvency Coverage Ratios of UW and UIIOM on a Hong Kong basis were 483% and 22,262% respectively.

Figure 7: Entity Solvency and Capital Policies

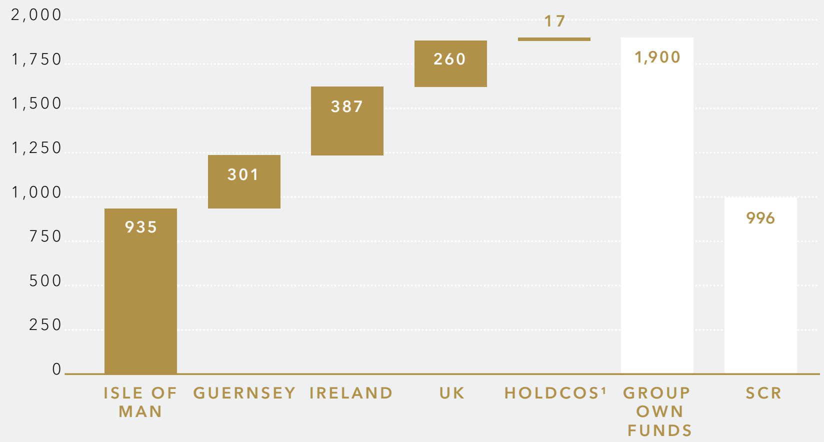
Entity	Solvency Coverage Ratio YE 2022	At all times	Post dividend
UIIOM	182%	125%	150%
Utmost PanEurope DAC ("UPE") (inc. WTA[1,2])	157%	135%	150%
UPE (exc. WTA[1,2])	113%	100%	110%
Utmost Worldwide Limited ("UW")	191%	135%	150%
Utmost Life and Pensions Limited ("ULPL")	227%	135%	150%
Utmost Group	191%	135%	150%

1. Withholding Tax Asset as detailed further in note 17 of the consolidated financial statements
2. Post €22.5m foreseeable dividend

Figure 8: Group Solvency II Capital

	2022 £m	2021 £m
Own Funds	**1,900**	1,964
Solvency Capital Requirement	**996**	1,110
Solvency Coverage Ratio	**191%**	177%

Figure 9: Utmost Group Solvency Position – 2022 actual (in £m)



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

Utmost Group is subject to full Group-level solvency regulation by the PRA. OCM Utmost Holdings Ltd ("OUHL"), the ultimate parent company of the Group is subject to group regulation by the PRA on an "Other Methods" basis. In addition, in the absence of an agreement between the UK and the EU on equivalence, the Central Bank of Ireland ("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 SCR (on a standard formula basis). Following the RT1 issue in January 2022 and repayment of all outstanding UHGL bank debt 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.

Throughout 2022, the Group maintained its strong capital position, with a Group Solvency Coverage Ratio of 191% at 31 December 2022 and own funds of £1,900m. The mix of our fee base, between fixed and AMC-based charges, and the equity symmetric adjustment contributed to the stability in the Solvency Coverage Ratio in 2022.

Sensitivity Analysis

The Group has an extremely resilient solvency position due to the active management of key risks. SCR Coverage ratios of each of our operating life companies, and of the Group itself, were very stable throughout 2022.

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 has generally improved in 2022 relative to the assumptions made at the end of 2021, notwithstanding the difficult geopolitical outlook and volatile investment market conditions in 2022.

The solvency sensitivities shown in Figures 10 and 11 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: Own Funds Sensitivities
31 December 2022

OWN FUNDS: BASE POSITION £1,900m

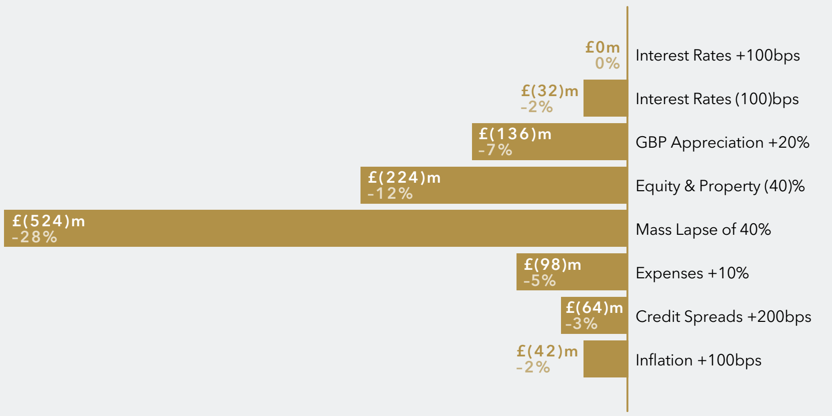
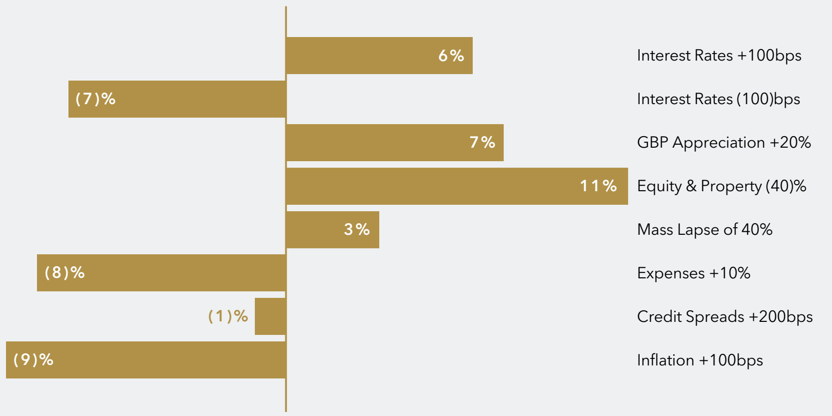


Figure 11: Solvency Coverage Ratio Sensitivities
31 December 2022

SOLVENCY COVERAGE RATIO: BASE POSITION 191%



Borrowings

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

The Group maintains a prudent capital structure and aims to target a leverage ratio between 20%–30% of SII EV, gross of debt. As at 31 December 2022, the leverage ratio on this measure was approximately 28%.

Credit Rating

The Utmost International operating businesses maintained their Insurer Financial Strength ratings of "A" with a Stable Outlook throughout 2022. This reflects the strong capitalisation and stable leverage ratios of the Group. Following completion of the Fitch annual ratings review in June 2022, the UGP IDR was upgraded from 'BBB+' to 'A-'. As a result of this upgrade the Fitch ratings of UGP's Tier 2 and RT1 notes were also upgraded to 'BBB-' and 'BB+' respectively, each with a Stable Outlook.

Post-Balance Sheet Events – Dividend to UHGL

On 9 March 2023, UGP paid a dividend of £40m to UHGL.

Summary

The Group has made strong progress in 2022. 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."

STRATEGIC REPORT

RISK MANAGEMENT

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

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

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

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

Risk Strategy

The risk strategy at Utmost Group provides an overarching view of how risk management is incorporated consistently across all levels of the business, from decision making to strategy implementation.

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

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

Risk Culture

A core objective of the ERM Framework is to embed a positive and open risk management culture within Utmost Group. The risk culture is embedded through the following:

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

Risk Universe

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

- the Board to articulate 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 and to embed them 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 the key decision-making processes by defining consistent risk metrics (including limits and key risk indicators) to ensure that its risk profile is managed within the stated appetite, triggering consideration of appropriate actions when the metrics reach or exceed defined criteria.

THE GROUP'S ENTERPRISE RISK MANAGEMENT FRAMEWORK

BUSINESS STRATEGY

GOVERNANCE
BOARDS AND COMMITTEES

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

RISK APPETITE

POLICY FRAMEWORK

IDENTIFY

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

ASSESS

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

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

Risk governance is aimed at establishing an effective organisational structure based on a clear definition of risk roles and responsibilities. This is articulated through a set of Group policies, risk management and assurance processes. As part of its governance structure, Utmost Group has established a series of board committees in each of its businesses with specific delegated authorities. Further detail on the governance structure and activities of the Committees is set out in the Governance Report from page 64 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.

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.

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 and ongoing 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.

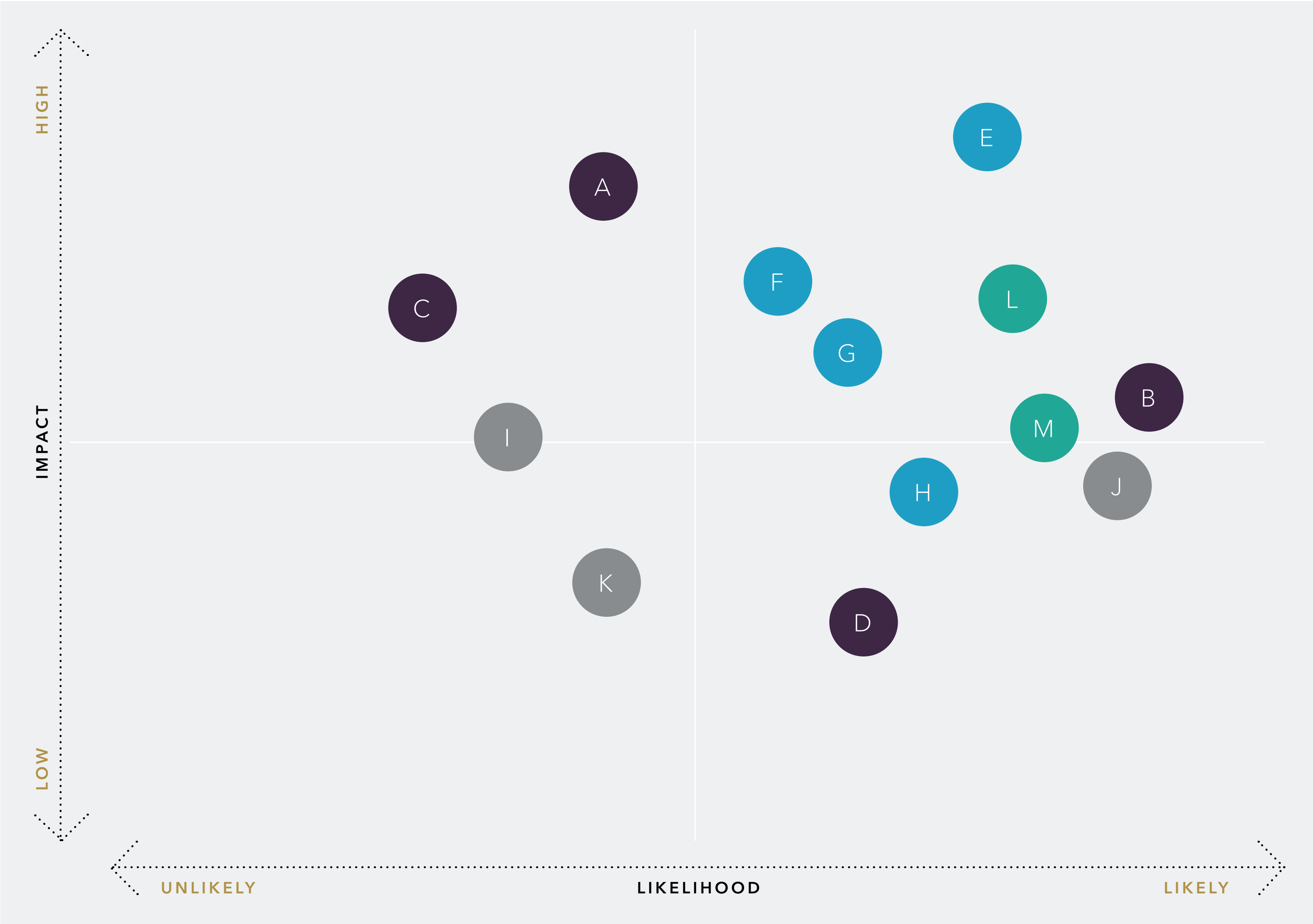
3

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 Risk
- C Liquidity Risk
- D Credit and Counterparty Risk

OPERATIONAL AND COMPLIANCE
- E Cyber and Information Security Risk
- F Operational Risk
- G Outsourcers and Third-Party Risk
- H People Risk

BUSINESS AND STRATEGY
- I Distribution Risk
- J Acquisition and Integration Risk
- K Climate Change and Wider ESG Risk Factors

EXTERNAL ENVIRONMENT
- L Regulatory Change and Supervision Risk
- M Technological and Digitalisation Risk

Principal Risks

FINANCIAL AND INSURANCE	Description	Mitigant
Insurance Risk	The Group is exposed to insurance risks when its operating businesses have unfavourable experience, including policy lapses and client retention, client mortality, morbidity, and longevity and business expenses.	The Group'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 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 risk, currency risk, credit risk, inflation and interest rate risk.	The Group is exposed to the risk of adverse market movements, which can impact the value of the Group's policyholder assets and shareholder assets and the fees earned by the Group. The shareholder investment portfolio predominantly comprises of high quality, liquid fixed income holdings. The Group has an indirect exposure to market risk from AMCs which are based on the underlying portfolio valuation of the policyholders' assets. 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.
Liquidity Risk	The Group is exposed to liquidity risk which is the risk of not holding enough assets in sufficiently liquid assets so that liabilities can be met as they arise. The Group is exposed to liquidity risk, mainly from claims arising from policyholder contracts and from servicing debt requirements.	Utmost Group accepts that it is exposed to liquidity risk through its financial management of all of its business activities. Sufficient liquidity is maintained at all times so that UGP and its operating businesses can meet their respective obligations as they become due, normally by maintaining sufficient cash to pay its liabilities. 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; 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.

Principal Risks continued

OPERATIONAL AND COMPLIANCE	Description	Mitigant
Cyber and Information Security Risk	Cyber-crime continues to be a threat for all organisations, but especially those that hold client personal information. Cyber-criminals are becoming ever more sophisticated and intrusive, with high profile ransomware incidents becoming widely publicised. A prolonged cyber-incident could lead to financial losses, regulatory intervention and/or damage to the Group's reputation and brand.	The Group operates a centralised cyber security model overseen by the Group CTO. This ensures that a consistent approach is applied across the Group to mitigate security and cyber risk based on the NIST standards. Cyber security remains a strong focus for the Group and this has been strengthened further over 2022 with the hire of the Group's first CISO in Q4 2022 who is tasked with shaping our long-term approach to cyber security. The Group maintains a set of risk appetite limits to ensure identified vulnerabilities are quickly addressed and a comprehensive monitoring framework is being put in place across the Group covering cyber and information security risks.
Operational Risk	The Group is exposed to operational risk arising from inadequate or failed internal processes, people, system failures or external events. Losses from events such as fraud, litigation, damages to premises and failure to comply with regulations are all covered within this definition.	The Group takes a proactive approach to operational risk management and maintains plans and controls to minimise the risk of disruption to core processes and clients including process failures, system malfunctions, and external incidents (e.g., pandemics, weather-related events, utility failures). Regulatory focus continues to be placed on all financial services organisations and new UK regulatory requirements have been introduced, placing increasing obligations on Boards and senior management to ensure that a high degree of attention is put into operational resilience, with a particular focus on dependency on outsourcers and third-party suppliers. Utmost Group has aligned its policies and processes to meet regulators expectations.
Outsourcers and Third-Party risks	The Group uses specialist outsourcers to provide some operational capability, but retains its client service teams in-house. It uses third-party suppliers to support the delivery of some of its core operational processes.	A robust third-party management framework is in place across the Group covering due diligence, contracts and ongoing monitoring for all third parties and outsourcers. Relationships with third parties are actively monitored to ensure operational readiness and oversight mechanisms are in place to ensure preparedness of our critical and important outsourcers and suppliers.
People Risk	The Group is exposed to operational risk if it fails to retain or attract a diverse and engaged workforce with the skills needed to deliver its strategy. A move to flexible working across many organisations has increased the number of external opportunities that are not location dependent, with the potential for the Group to lose key individuals as a result.	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.

BUSINESS AND STRATEGY	Description	Mitigant
Distribution Risk	The Group is exposed to distribution risk 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 and if our propositions do not meet the requirements of our clients.	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. 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 Limited is a closed book of business.
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 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 control from day one is in place, periodic reviews to ensure senior management visibility and early identification of any amendments to budget or timescales. The Group's operating businesses continually review operational capacity to deliver integration activities.
Climate Change and Wider ESG Risk Factors	The Group may be exposed to financial and insurance risks related to climate change as a result of potential implications of moving to a low carbon economy. If the Group fails to appropriately prepare for and manage the effects of climate change and wider ESG factors there are potential longer-term reputational, propositional, operational and regulatory implications.	The Group maintains a Climate Risk Framework setting out how the risks associated with climate change are incorporated within the wider Risk Management Framework. This includes regular monitoring of key metrics associated with climate-related risks 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 sustainable business encompasses a range of topics. As the manager of our clients' insurance and savings policies, an important pillar of the strategy is investing this money in a responsible manner. We recognise the importance of our role as a long-term allocator of capital and take this responsibility seriously. We are continuing to adopt a proactive approach to responsible investment taking ESG factors, including climate change, into account in our investment process. This has been embedded through the implementation of a Responsible Investment Policy that sets out the Group's approach to the integration of ESG Factors into our investment decisions demonstrating alignment with the UN PRI and our commitment to align our portfolio with the aims of the Paris Agreement. Further detail on the Sustainability Strategy is set out on page 26.

Principal Risks continued

EXTERNAL ENVIRONMENT	Description	Mitigant
Regulatory Change and Supervision Risk	Changes in regulation and legislation could result in non-compliance with new requirements that could impact our operational, financial or solvency position. Tax rules are constantly evolving and can impact the design of our propositions.	The financial services industry continues to see a high level of regulatory activity and supervision. Utmost Group in its current form was established in October 2020 following the completion of the Group reorganisation and is subject to Group Supervision by the PRA. The operating businesses come under the jurisdiction of various financial services regulators, including the PRA, the FCA, the IoM FSA, the CBI, the GFSC, the Hong Kong Insurance Authority, the Monetary Authority of Singapore and the Dubai Financial Services Authority. The Group's operating businesses undertake proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows them to assess the potential implications of the changes, for their clients and their business, and take the necessary action to implement any new requirements effectively, within the required timescales. The Group is impacted by the tax laws both of the countries in which it has operations and of the countries into which it sells its products. Tax authorities may introduce changes to the rules governing how insurance products are taxed in the hands of policyholders. These changes may adversely impact future levels of demand for the Group's products. Any tax changes would likely apply on a forward-looking basis, rather than retrospectively to the back-book. The size, scale and financial strength of Utmost Group allows it to respond rapidly to regulatory and legislative change. The Group's geographic diversity means we operate in multiple jurisdictions, meaning demand for our products is more resilient to changes in one region.
Technological and Digitalisation Risk	The Group may not realise its objectives if it does not keep pace with industry technology and innovation and an increased desire from clients for digital and online solutions.	The Covid-19 pandemic highlighted the competitive edge that digital platforms provide when it comes to the distribution of products and services. Firms with strong digital channels and readiness were positioned to deliver seamless advice and service. A shift to remote working and changing client expectations has intensified the importance of the digital transformation throughout the insurance value chain. Clients increasingly expect personalised service with the availability of online servicing alongside in-person support. Digitalisation is a key focus for the Utmost Group and management continue to invest in our OSCs 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.

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

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

What is important to our clients?

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

How we engage

We engage directly with clients through our corporate communications, information fact sheets, website and customer service teams. In the Utmost International business, our primary engagement is through advisers who support clients in finding the best solutions to manage their wealth. Advisers include private banks, Independent Financial Advisers, and wealth managers for whom excellent service is key to a seamless experience and good outcomes for clients. We also engage with research companies 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 require 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?

The team of employees at Utmost deliver outstanding service to clients and ensure that the business operates effectively.

What is important to our employees?

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

How we engage

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

What issues have been raised during the year and how have we responded?

The increased cost of living including the impact of high inflation has had an adverse impact on our employees and ways in which the Group can assist has been a focus for management. A one-off mid-year pay increase was given to lower earners in recognition of the difficult financial situation that our employees are facing. This situation continues to be monitored and our understanding of the inflation trajectory was taken into consideration during the annual pay review.

The first Group-wide company employee survey was undertaken in Q3 2022. Engagement from employees was good with an 81% completion rate and an overall positive response rate of 81%. The main issues raised were flexible working and the cost of living (addressed above). Company policy is for office-based working with an acknowledgement that flexibility is required. This will continue to be addressed on a case-by-case basis.

Integration of the Quilter International business with our Isle of Man business has progressed well with a main component being the combining of the two sets of Isle of Man employees. This has been achieved by moving to a single office site where teams can be brought together. Work is ongoing to align systems and processes and this is being managed through a dedicated project which is monitored by the Board.

Regulators

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

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

How we engage
The Company and its subsidiaries proactively participate in periodic meetings and interactions with its regulators as appropriate to fully understand regulatory views and feedback. This includes participation in thematic reviews conducted by the local regulators supervising each area of the business. The PRA conducts periodic reviews, the outcome of which are periodic summary meetings. The Board reviews the feedback as appropriate, and no material issues have been raised during the year. The businesses operate a horizon scanning process to ensure that upcoming regulatory change, consultations, guidance and 'hot topics' are known and understood, enabling any resulting internal actions to be taken.

Community and Environment

Why is this 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 community support 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 26.

Suppliers

Why is this 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?
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.

What we do
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; 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.

GOVERNANCE

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GOVERNANCE

"The main objective of the Board during the year has been to embed the Group's system of governance and its Risk Management Framework."

James Fraser
Chairman

On behalf of the Board I am pleased to present this Corporate Governance Report.

This has been my first full year as Chairman of the Board and in addition to monitoring the Group's financial performance and considering the Group's strategy and business plan, the key focus has been to embed the system of governance and Risk Management Framework which the Board approved at the end of 2021. The newly established ARCC met six times during the year discussing key items such as internal audit, risk management and external audit.

Board Effectiveness

The Board undertook an effectiveness review in Q1 2023 to review the prior year. This was facilitated by a third party through a confidential questionnaire. The results were very positive and have been discussed at a Board meeting. Several recommendations have been agreed and the closure of these will be monitored by the Board.

Stakeholders

The Board is aware that the Group's stakeholders are key to its success. We consider the interests of a wide range of stakeholders and have identified our key stakeholder groups to be our clients, investors, employees, regulators, and the communities in which we operate. A description of each, and the Company's engagement activities with those groups, is set out in our s.172(1) Statement which can be found on page 61. It is vital that we pay due regard to the interests of our stakeholders in the decision-making process. We explain how we have done so in the context of some key decisions throughout the year on page 71.

Environment, Social and Governance Matters

The Board continues to be committed to including sustainability factors in our investment decisions and in the Group's strategy. During the year the Board has approved the Group's Responsible Investment Policy which sets outs the business' support to the Paris Agreement and our obligations to the UN PRI. The Board also held an externally facilitated training session on sustainability metrics to ensure a comprehensive understanding of the metrics used by Group.

James Fraser
Chairman
20 April 2023

BOARD BIOGRAPHIES

James Fraser

Chairman

Appointed 2021

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

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

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

Paul Thompson

Utmost Group Chief Executive Officer

Appointed 2019

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

Paul was an investment banker specialising in financial institutions before joining Britannic Group as Group Finance Director in 2002. Following his appointment as Group CEO at Britannic Group he repositioned them 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

Ian Maidens

Utmost Group Chief Financial Officer

Appointed 2019

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

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

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

Chris Boehringer

Non-Executive Director and Oaktree Representative

Appointed 2020

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

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

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

Gavin Palmer

Independent Non-Executive Director and Chairman of the ARCC

Appointed 2021

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

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

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

Katherine Ralph

Non-Executive Director and Oaktree Representative

Appointed 2021

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

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

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

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, incorporated in Guernsey.

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

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

Governance structure of the group

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

The ARCC (established in October 2021) has met six times throughout 2022. It 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 61, 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
12/01/2022	✓	✓	✓	✓	✓	✓
25/01/2022	✓	✓	✓		✓	✓
23/03/2022	✓	✓	✓	✓	✓	✓
27/04/2022	✓	✓	✓	✓	✓	✓
27/05/2022	✓	✓	✓		✓	✓
27/07/2022	✓	✓	✓	✓	✓	✓
14/09/2022	✓	✓	✓	✓	✓	✓
11/10/2022	✓	✓	✓	✓	✓	✓
16/11/2022	✓	✓		✓	✓	✓
14/12/2022	✓	✓	✓		✓	✓

Meetings held on 25 January 2022, 27 May 2022 and 16 November 2022 were held at short notice to consider specific items of business. Apologies were provided due to pre-existing commitments.

Matters considered

Russian Invasion of Ukraine

Objectives
The objective of the Board discussion was to understand the Group's exposure to the individuals and corporations in Russia and Ukraine, to ensure that no further operations with Russia continued and that Utmost Group remained compliant with the changing sanctions.

What we did
The Board received a detailed overview of Utmost's exposure to individuals and corporations in Russia and Ukraine, in addition to the enhanced processes put in place by management to monitor changes to the sanction lists. An internal company wide statement was issued to the business informing employees of the decision to cease trading with Russian nationals.

Benefits
The Group recognised the importance of the swift decision to cease trading with Russian nationals following the invasion of Ukraine, and understanding exposures to policy holders resident in Ukraine, whilst ensuring compliance with the changing sanction requirements.

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

Bond Issuance

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

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

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

s.172 Factors/Key Stakeholders
Investors, Regulators

Responsible Investment Policy

Objectives
Following increased concern over the impact of climate change, the Group became a signatory to the UNPRI and the Group implemented a new Group Responsible Investment Policy to align the Group's approach to investments with the six Principles for Responsible Investment, set out by the UNPRI.

What we did
The Responsible Investment Policy was presented to the Board by management having been reviewed by the SWG. Discussion of the policy centred on whether it addressed the six Principles for Responsible Investment and how the policy would be implemented across the Group. The Board discussed the introduction of an investment exclusion in respect of thermal coal. The Board considered the implications of an exclusion, the contribution of the exclusion to the Group's net zero 2050 target and how the exclusion would be integrated into the Group's investment processes.

Benefits
The Group now has in place a clear policy that sets out the approach to the integration of ESG factors into our investment decision making as well as formalising the Group's net zero 2050 commitment for its shareholder investment portfolio. There has been an increased interest by both policyholders and regulators on Responsible Investment and by having this policy in place and publicly available on our website, the Group clearly demonstrates our commitment to this important topic.

s.172 Factors/Key Stakeholders
Community and Environment, Investors, Regulators

A Year in Review

The Board held five scheduled meetings during the year, in addition to five meetings to consider specific projects and transactions. As well as the significant strategic decisions set out on page 71, 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 is independent, 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.

Boards and Committees of Operating Businesses

The operating businesses 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. The subsidiary boards ("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 74.

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

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

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

The board of ULPL has also formed a Nominations Committee and a With-Profits Committee to assist it in carrying out its duties. UPE also delegates certain administrative responsibilities to a Banking Committee. Further details of each committee's responsibilities are provided on page 74.

Strategy and Performance

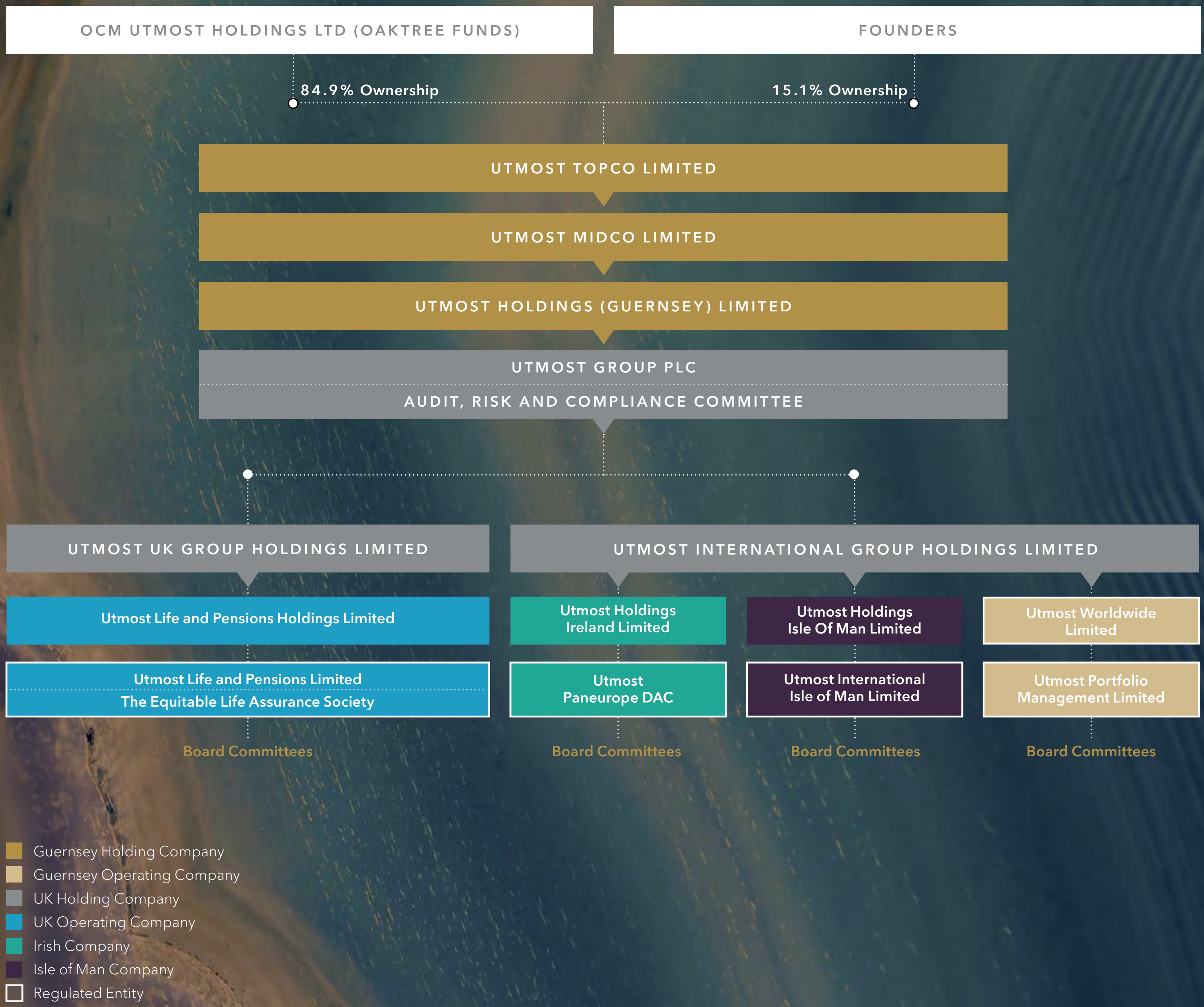
The subsidiary boards each develop their business plans to enable the achievement of the strategic goals of the Utmost Group, whilst ensuring that the entities operate within each of their risk appetites and frameworks. The subsidiary boards also monitor business performance and the ability of each business to execute the agreed strategies. Whilst the independent Chairman of each business provides leadership of each subsidiary board, day-to-day management is delegated to the Chief Executive Officer 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 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 The Founders. OUHL is owned by several funds managed by subsidiaries of Oaktree, whose principal business is to make investments. For further information on the economic and beneficial ownership of the Utmost Group please refer to page 75.

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

Ownership and Governance Structure



Subsidiary Governance

Mandate of the Subsidiary Boards

The duties of the subsidiary boards include:

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

Purpose of the subsidiary board committees in the operating businesses

Audit Committee

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

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

Risk and Compliance Committee

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

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

Investment Committee

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

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

Remuneration Committee

The duties of the Remuneration Committees of each business include:

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

Nominations Committee

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

With-Profits Committee

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

Banking Committee

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

Compliance with Law and Regulation

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

- The FCA Handbook and the PRA Rulebook;
- The IoM FSA's Corporate Governance Code for Commercial Insurers;
- The CBI Corporate Governance Requirements for Insurance Undertakings; and
- The GFSC's Finance Sector Code of Corporate Governance.

Conflicts of Interests

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

DIRECTORS' REPORT

For the year ended 31 December 2022

The directors present their report together with the audited consolidated and Company financial statements for the year ended 31 December 2022.

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, ULPL (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 "Utmost Group".

Directors and Secretaries

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
- Corinna Bridges (Secretary) (resigned 23 June 2022)
- Ian Maidens (Secretary) (appointed 23 June 2022; resigned 14 September 2022)
- Larysa Dlaboha (Secretary) (appointed 14 September 2022)

Only two directors, Paul Thompson and Ian Maidens, have an equity interest in Topco. Details of these interests are disclosed in note 36 of the consolidated financial statements.

Results and Dividend

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

Dividends totalling £500m were paid during the year.

Ownership

The sole shareholder of the Company is 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 73). 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 $170bn in assets under management as of 31 December 2022. 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 64% of Oaktree's business on an economic basis, and an approximate 15% voting interest. Brookfield is an alternative asset manager and Brookfield and Oaktree together have approximately $800bn 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 the Company are controlled by the Board, comprised of the Founders and representatives of Oaktree.

Independent Auditor

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

Going Concern

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

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

The directors have assessed the principal risks and uncertainties discussed in the Strategic Report, both in light of Covid-19 and the current economic climate and have taken into consideration the guidance provided by the Financial Reporting Council ("FRC") on 'Going Concern and Liquidity Risk' published in April 2016. The directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

Events During the Year

Restricted Tier 1 bonds

The Company issued £300m of RT1 bonds ("Bonds") on 25 January 2022. The Bonds are convertible into ordinary shares in certain circumstances. The circumstances in which the Bonds may convert into ordinary shares would be limited to a "trigger event". A trigger event may only occur if the Board determines in consultation with the PRA that it has ceased to comply with its capital requirements under Solvency II in a significant way. This may occur if the amount of capital held by the Group fails to comply with its capital requirements for a continuous period of three months or more or if the Group fails to comply with other minimum capital requirements applicable to it. Only if a trigger event occurs would any Bonds convert into ordinary B shares. The holders of the Bonds do not have the right or option to require conversion of the Bonds. On a change of control, the Bonds may also be convertible into equity in an entity other than the Company where the acquiror is an approved entity (being an entity which has in issue ordinary share capital which is listed or admitted to trading on a regulated market) and the new conversion condition (as set out therein) is satisfied. Otherwise the Bonds may be written down to zero.

Events Subsequent to Year End

The UK Government has confirmed its commitment to legislate for the Global Anti-Base Erosion Model Rules (Pillar Two) ("GloBE") 15% minimum tax effective 1 January 2024. The Group continues to monitor how GloBE will be implemented across its regions, as the tax has the potential to increase the corporate tax payable in some of our regions, hence decrease Group profits after tax.

On 9 March 2023 the Company paid a £40m dividend to its immediate parent company UHGL.

On 31 January 2023, UIIOM, a member of the Group, purchased the freehold title in King Edward Bay House through the acquisition of Douglas Bay Property Company Limited.

Qualifying Indemnity Provision

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

Political Donations

The Company made no political donations during 2022.

Equal Opportunities and Health and Safety

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

Modern Slavery Act

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

Our Modern Slavery Statement details the policies that we have in place and the ongoing actions that are being taken across the Group to continue to support the combating of modern slavery and human trafficking in supply chains. This is published on our website pursuant to the provisions of the Modern Slavery and Human Trafficking Act 2015.

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and the Company financial statements in accordance with 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 Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting 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 Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Disclosure in the Strategic Report

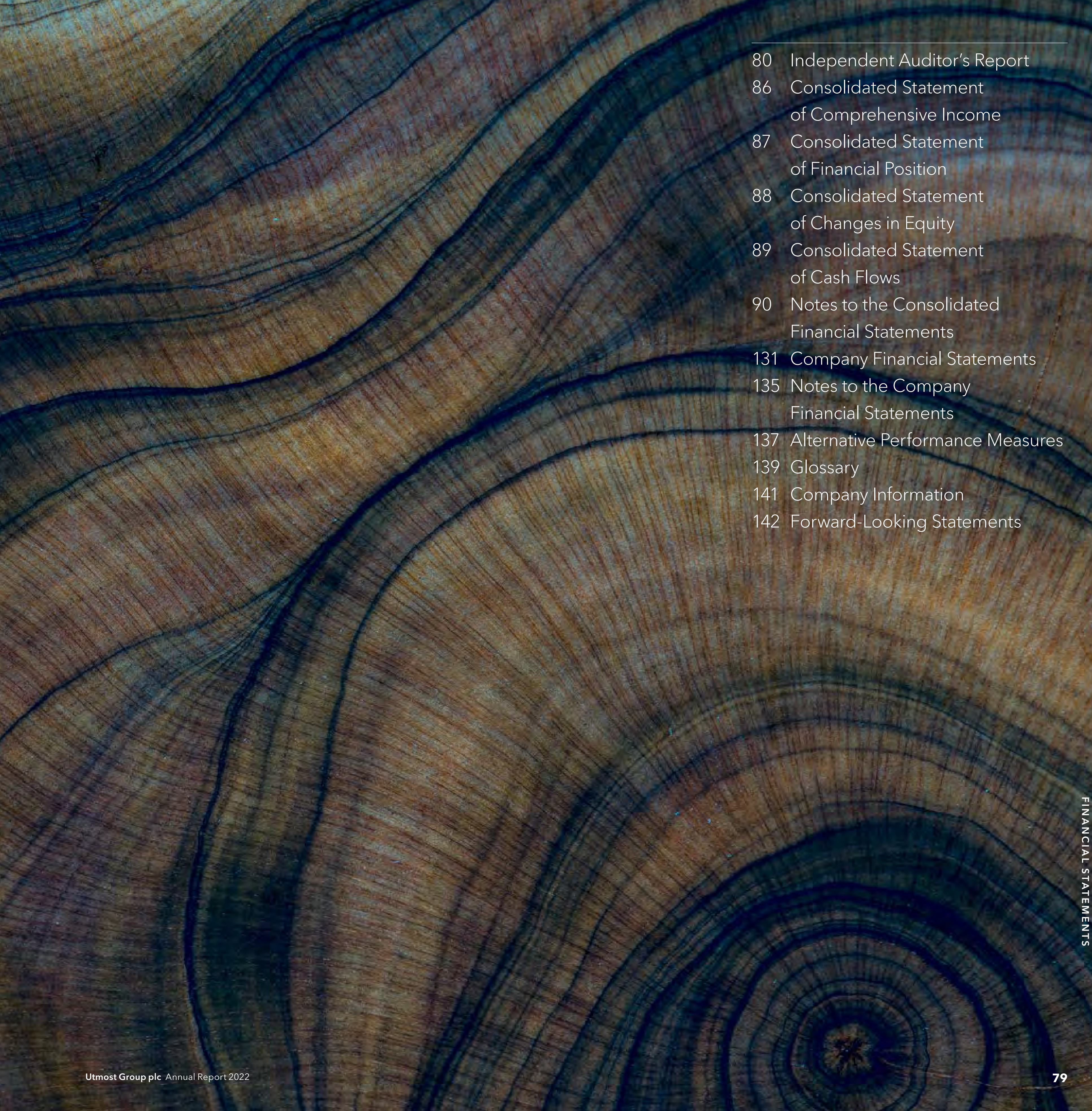
As permitted by paragraph 1A of Schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted and included in the Strategic Report on pages 10 to 63.

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

The Strategic Report comprising pages 10 to 63 of this Annual Report and Accounts, and the Governance Report comprising pages 70 to 74, were approved by the Board of directors and signed on its behalf by:

Ian Maidens
Group Chief Financial Officer
20 April 2023

FINANCIAL STATEMENTS



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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 2022 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 2022 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2022; 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

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

Key audit matters

- Valuation of insurance contract liabilities – Longevity Assumptions (group)
- Valuation of insurance contract liabilities – Expense Assumptions (group)
- Valuation of insurance contract liabilities – Persistency Assumptions (group)
- Disclosure of the impact of adopting IFRS 17 (group)

Materiality

- Overall group materiality: £12,500,000 (2021: £14,499,000) based on 1% (2021: 1%) of Total Equity.
- Overall company materiality: £15,700,000 (2021: £17,019,000) based on 1% (2021: 1%) of Total Equity.
- Specific overall group materiality of assets held to cover linked liabilities, investment contract liabilities and associated income statement line items: £569,200,000 (2021: £619,703,000) based on 1% (2021: 1%) of the Financial assets at fair value held to cover linked liabilities.
- Performance materiality: £9,300,000 (2021: £10,874,000) (group) and £11,700,000 (2021: £12,764,000) (company).

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.

Disclosure of the impact of adopting IFRS 17 is a new key audit matter this year. Accounting for the Acquisition of Quilter International Holdings Limited and Valuation of Investment in subsidiaries, which were key audit matters last year, are no longer included because of in the case of the former, the acquisition has been completed in the previous year and for the latter, the group has made a voluntary change to their accounting policy for the valuation of investment in subsidiaries from fair value to cost less impairment. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities – Longevity Assumptions (group) Refer to note 22 Insurance contract liabilities and note 31 Risk management in the Consolidated Financial Statements. Longevity assumptions are an area of significant management judgement, due to the inherent uncertainty involved. Whilst Utmost Group plc manages the extent of its exposure to longevity risk through reinsurance, we consider these assumptions underpinning gross insurance contract liabilities to be a key audit matter given the Group's exposure to annuity business in the UK and Guernsey. The longevity assumption has two main components: **Base mortality assumption** This part of the assumption is mainly driven by internal experience analyses, but judgement is also required. For example, in determining the most appropriate granularity at which to carry out the analysis; the time window used for historic experience, or whether data should be excluded from the analysis; and in selecting an appropriate industry mortality table to which management overlays the results of the experience analysis. **Rate of mortality improvements** This part of the assumption 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 and prudential margins): – Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; – Where relied on we have tested the controls in place around the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within actuarial models; – Validated the appropriateness of areas of expert judgements 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 annuitant mortality assumptions selected by management against those used by peers using our annual survey of the market; and – Assessed the disclosure of the annuitant mortality assumptions, changes in these assumptions over 2022 and their sensitivities. Based on the procedures performed and the evidence obtained, we consider the longevity assumptions to be appropriate.
Valuation of insurance contract liabilities – Expense Assumptions (group) Refer to note 22 Insurance contract liabilities and note 31 Risk management in the Consolidated Financial Statements. Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities. In the UK business the methodology to allow for expenses includes an allowance for the diseconomies of scale as the business volumes 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 2023 budgeted expenses and compared these to the 2022 actuals against the 2022 budget; – Where maintenance expenses are based on historic costs we have checked that these reconcile to the total expenses; – We have assessed the classification of expenses between ongoing and one-off costs and the classification between fixed or variable to supporting evidence; – We tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in-force at the balance sheet date; – We assessed the method used to set expense inflation assumptions, checked the alignment with market inflation curves and tested the calculation of the assumptions; – Assessed the appropriateness of the margin for prudence by considering the potential variability of expenses and benchmarking this to peer companies in the same industry; and – We have reviewed and challenged significant judgements and assumptions used, particularly relating to the allowance in the UK for spreading of fixed costs over the reducing portfolio of business as it runs-off. Based on the procedures performed and evidence obtained, we consider the expense assumptions to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities – Persistency Assumptions (group) Refer to note 22 Insurance contract liabilities and note 31 Risk management in the Consolidated Financial Statements. Persistency assumptions are a significant risk due to the need for management judgement and the inherent uncertainty involved. These assumptions impact the measurement of any non-unit liabilities. 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 the use of judgements in the assumption setting process; – Assessed the disclosure of the persistency assumptions, changes in these assumptions over 2022 and their sensitivities. Based on the procedures performed and evidence obtained, we consider the persistency assumptions to be appropriate.
Disclosure of the impact of adopting IFRS 17 (group) International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), requires the disclosure of reasonably estimable information relevant to assessing the possible impact of new accounting standards issued but not yet effective. International Financial Reporting Standard 17, Insurance Contracts, (IFRS 17 or 'the standard') became effective for periods beginning on or after 1 January 2023. The related IAS 8 disclosures in these financial statements are intended to provide users with an understanding of the estimated impact of the new standard, and as a result, are more limited than the disclosures that will be required within the 2023 Annual Report and Accounts. We have determined the disclosure of the impact of IFRS 17 to be a key audit matter because of the significant judgements required to estimate the impact at 1 January 2022 (the 'transition date') as this would be the opening position for the comparative in the 2023 Annual Report and Accounts. IFRS 17 adoption is expected to increase the Group's total equity as at the transition date. This is primarily due to a proportion of the surplus in the with-profit fund being recognised in equity where previously in IFRS 4 the amount was part of the 'Unallocated Surplus of the With Profit Fund' liability. The amount is partially offset by the slower release of profits under IFRS 17 compared to IFRS 4 for annuity contracts through the establishment of the Contractual Service Margin (CSM) at the transition date. The implementation of IFRS 17 requires the Group to interpret the requirements of the new standard and make significant judgements and assumptions to develop its accounting policies. Key judgements made include: – The determination of the date before which it is impracticable to apply the fully retrospective approach; and – The approach for how the fair value has been determined to calculate the value of insurance contracts at transition.	We performed the following procedures to assess the appropriateness of the IAS 8 disclosure in respect to the estimated impact of the initial adoption of IFRS 17: – Obtained an understanding of Management's approach to transition including the selection of the fair value approach ("the transition approach"), and challenged Management's assessment of impracticability and obtained supporting evidence; – Obtained an understanding of and challenged the key methodologies, judgements and assumptions used to develop and calculate the impact on the Group's total equity on adopting IFRS 17. We involved PwC actuarial specialists to evaluate the key actuarial judgements and assumptions in applying the transition approach. – Performed substantive testing, including the involvement of PwC actuarial specialists, over the processes and calculations developed to determine the impacts on the Group's total equity on adopting IFRS 17 at the transition date; and – Reviewed the quantitative and qualitative disclosures to ensure they comply with the requirements of IAS 8 and the quantitative elements appropriately reflect the level of certainty in the outcome of the remaining transition work and judgements to be performed by the Group. Based on the audit procedures performed and evidence obtained, we consider the disclosures related to the initial impact of IFRS 17 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.

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

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

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

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

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

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	£12,500,000 (2021: £14,499,000).	£15,700,000 (2021: £17,019,000).
How we determined it	1% (2021: 1%) of Total Equity	1% (2021: 1%) of Total Equity
Rationale for benchmark applied	We believe that Total Equity, which drives the Group's ability to generate surplus and pay dividends, is the primary measure used by the relevant stakeholders in assessing performance, as well as being a generally accepted materiality benchmark. Regarding the specific materiality for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items, the benchmark is Assets held to cover linked liabilities which is equal to the investment contract liabilities and reflects the primary measure used by the relevant stakeholders as it is a key performance indicator of the business. We have applied 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. Materiality has been consistently rounded down to the nearest thousand.	We believe that Total Equity, which drives the Company's ability to generate surplus and pay dividends, is the primary measure used by the relevant stakeholders in assessing performance, as well as being a generally accepted materiality benchmark. Materiality has been consistently rounded down to the nearest thousand.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2,000,000 and £12,200,000. 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% (2021: 75%) of overall materiality, amounting to £9,300,000 (2021: £10,874,000) for the group financial statements and £11,700,000 (2021: £12,764,000) 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 £426.9m (2021: £464.7m).

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £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 (group) (2021: £724,000 for the Overall Financial statements materiality based on the Total Equity benchmark and specifically £14,499,000 for assets held to cover linked liabilities, investment contract liabilities and associated income statement line items) and £785,000 (company) (2021: £850,000) 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 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 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 (see related Key Audit Matters above);
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the Group's register of litigation and claims in so far as they related to non-compliance with laws and regulations and fraud.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 April 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	Consolidated 2022 £'000	2021 £'000
Revenue			
Net premiums earned	22	153,341	85,884
Fees and charges receivable	6	364,914	191,854
Other operating income		18,514	7,405
Total revenue		536,769	285,143
Investment return	7	(6,883,848)	3,591,121
Net policyholder claims and benefits incurred			
Policyholder claims	22	(272,442)	(177,799)
Transfer from/(to) unallocated surplus	23	16,148	(12,633)
Changes in insurance contract liabilities		408,022	181,077
Changes in investment contract liabilities	21	6,632,124	(3,543,094)
		6,783,852	(3,552,449)
Expenses			
Administrative expenses	8	(181,381)	(124,065)
Commission and advisor fees		(53,557)	(43,634)
Amortisation of acquired value of in-force business	11	(156,625)	(59,650)
Impairment of acquired value of in-force business	11	(8,421)	–
		(399,984)	(227,349)
Gains arising on bargain purchases		–	309,643
Profit for the year before interest and tax		36,789	406,109
Finance costs	9	(17,782)	(18,450)
Profit for the year before tax		19,007	387,659
Tax charge	10	(4,339)	(20,447)
Profit for the year after tax		14,668	367,212
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit and loss			
Change in fair value of financial assets at fair value through OCI		(5,757)	(5,507)
Foreign currency translation movements in the year		13,581	(19,419)
Items that will not be reclassified to profit and loss			
Fair value movements of owner occupied land and buildings		–	110
Re-measurement on retirement benefit asset/obligation		6,780	3,047
Shareholder tax on items that will not be reclassified subsequently to profit and loss		(41)	(74)
Total comprehensive income for the year		29,231	345,369

Income and expenses for the year derive wholly from continuing operations. The notes on pages 90 to 130 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	Consolidated 2022 £'000	Consolidated 2021 £'000
Assets			
Acquired value of in-force business	11	939,844	1,096,051
Deferred acquisition costs	12	89,215	58,386
Other intangible assets	13	408	585
Property, plant and equipment	14	31,162	27,214
Reinsurers' share of insurance contract liabilities	22	976,363	1,188,038
Italian withholding tax asset	17	108,932	108,899
Deferred tax asset	26	1,895	2,580
Financial assets at fair value held to cover linked liabilities	15		
– Financial investments		53,333,595	58,717,032
– Cash and cash equivalents		3,582,433	3,253,320
Total financial assets at fair value held to cover linked liabilities		56,916,028	61,970,352
Other investments	16	1,580,298	2,042,435
Other receivables	18	334,172	314,477
Deposits		113,936	39,166
Assets held for sale		–	3,560
Cash and cash equivalents	19	467,783	452,186
Total assets		61,560,036	67,303,929
Liabilities			
Investment contract liabilities	21	54,960,666	59,983,184
Insurance contract liabilities	22	4,185,894	4,738,424
Reinsurance liability	22	39,515	57,895
Unallocated surplus	23	92,499	107,332
Borrowings	25	400,710	404,690
Deferred tax liabilities	26	48,004	57,774
Reinsurance payables		88,211	114,664
Payables related to direct insurance contracts		20,019	28,619
Deferred front end fees	24	77,064	62,070
Other payables	27	384,410	299,287
Total liabilities		60,296,992	65,853,939
Capital and reserves			
Called up share capital	28	392,500	392,500
Retained earnings		572,988	1,065,358
Other reserves		(5,835)	(78)
Foreign currency translation reserve	29	5,791	(7,790)
Restricted Tier 1 notes	28	297,600	–
Total equity		1,263,044	1,449,990
Total equity and liabilities		61,560,036	67,303,929

The financial statements on pages 86 to 130 were approved and authorised for issue by the Board of directors on 20 April 2023 and signed on its behalf by:

Paul Thompson
Director
20 April 2023

Ian Maidens
Director
20 April 2023

The notes on pages 90 to 130 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

CONSOLIDATED	Note	Called up share capital £'000	Retained earnings £'000	Other reserves* £'000	Restricted Tier 1 notes £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 January 2021		100,000	739,063	6,358	–	11,629	857,050
Profit for the year		–	367,212	–	–	–	367,212
Share capital issued in the year	28	292,500	–	–	–	–	292,500
Foreign currency translation movements in the year	29	–	–	–	–	(19,419)	(19,419)
Re-measurement on retirement benefit asset		–	3,047	–	–	–	3,047
Other comprehensive income		–	36	(929)	–	–	(893)
Dividends paid		–	(44,000)	–	–	–	(44,000)
Change in fair value of financial assets at fair value through OCI		–	–	(5,507)	–	–	(5,507)
Balance as at 1 January 2022		**392,500**	**1,065,358**	**(78)**	**–**	**(7,790)**	**1,449,990**
Profit for the year		–	14,668	–	–	–	14,668
Foreign currency translation movements in the year	29	–	–	–	–	13,581	13,581
Re-measurement on retirement benefit asset		–	6,780	–	–	–	6,780
Change in fair value of financial assets at fair value through OCI		–	–	(5,757)	–	–	(5,757)
Dividends paid		–	(500,000)	–	–	–	(500,000)
Other comprehensive income		–	(35)	–	–	–	(35)
Restricted Tier 1 notes issuance	28	–	–	–	297,600	–	297,600
Coupon paid on Restricted Tier 1 notes, net of tax relief	28	–	(13,783)	–	–	–	(13,783)
Balance as at 31 December 2022		**392,500**	**572,988**	**(5,835)**	**297,600**	**5,791**	**1,263,044**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	Consolidated 2022 £'000	2021 £'000
Net cash flows from operating activities	30	**245,389**	105,528
Cash flows from investing activities			
Acquisition of subsidiaries – net of cash acquired and distribution received		–	(255,872)
Acquisition of property, plant and equipment	14	(2,071)	(706)
Acquisition of intangible assets	13	(26)	(152)
Proceeds on disposals of assets held for sale		3,915	–
Proceeds on disposals of property, plant and equipment		–	26
Net cash flows from investment activities		**1,818**	(256,704)
Cash flows from financing activities			
Issue of share capital		–	292,500
Increase in borrowings		–	400,000
Net proceeds of issuance of Restricted Tier 1 notes		297,600	–
Repayments of borrowings		–	(300,000)
Dividends paid		(500,000)	(44,000)
Finance costs paid (including on Restricted Tier 1 notes)		(37,053)	(17,012)
Net cash flows from financing activities		**(239,453)**	331,488
Net increase in cash and cash equivalents		**7,754**	180,312
Cash and cash equivalents at the beginning of the year		452,186	278,452
Exchange differences on cash and cash equivalents		7,843	(6,578)
Cash and cash equivalents at the end of the year	19	**467,783**	452,186

The notes on pages 90 to 130 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 £3,582,433k (2021: £3,253,320k) as these balances are held on behalf of policyholders and do not form an integral part of the Group's cash management.

1 General Information

The principal activity of Utmost Group plc (the "Company") is investment holding, and of its subsidiaries (together, the "Group") is the writing of long-term assurance business through the Utmost Wealth Solutions brand, the majority of which is classified as investment contracts because of the absence of significant insurance risk. These contracts are primarily written into the UK, Ireland, Italy, Middle East, Asia, LatAm and other European countries. The Group also writes employee benefits insurance business through the Utmost Corporate Solutions brand, following the acquisition of Utmost PanEurope dac ("UPE") in 2018 and the acquisition of Utmost Worldwide Limited ("Utmost Worldwide" or "UW") in 2019. Through Utmost Life and Pensions Limited ('ULPL'), 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 consolidated financial statements are prepared under UK-adopted International Accounting Standards. The directors have prepared consolidated and separate company financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards as set out in the relevant accounting policies. The consolidated and company financial statements are presented in Pounds Sterling. The functional currency of Group is Pounds Sterling.

2.1.1 Basis of Consolidation

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

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

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

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

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

The excess of the:

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

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

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

2.1.2 Going Concern

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

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

The directors have assessed the principal risks and uncertainties discussed in the Strategic Report, 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 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 Intangible Assets and Acquired Value of in-force Policies

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.

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

The present value of future profits on a portfolio of long-term insurance and investment contracts, representing the value of in-force policies, acquired directly or through the purchase of a subsidiary, is recognised as an acquired value of in-force business ("AVIF") intangible asset on acquisition. AVIF which arises on acquired insurance contracts is measured as the difference between the fair value of the contracts and the value of the liability as measured in accordance with the Group's accounting policies for these contracts (see note 2.14). AVIF relating to investment contracts is recognised at its fair value which is set equal to the present value of the best estimate cashflows adjusted to reflect a risk margin. Key estimates used in the calculation of the best estimate cashflows include persistency and expense assumptions. Persistency assumptions are set with reference to historic data and expense assumptions are set using past expense experience 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. Key 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.

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.

2 Significant Accounting Policies continued

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

2.6.2 Recognition and Derecognition

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

2.6.3 Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

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

2.6.4 Financial Assets at Fair Value through Other Comprehensive Income

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

2.6.5 Financial Assets and Financial Liabilities at Amortised Cost

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

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.

2.6.6 Tier 1 notes

The Restricted Tier 1 Notes ('Tier 1 Notes') meet the definition of equity as they have no fixed maturity date and interest is payable only at the sole and absolute discretion of UGP. The Tier 1 notes are accordingly shown as a separate category within equity at the proceeds of issue. The coupons on the instruments are recognised as distributions on the date of payment and are charged directly to the consolidated statement of changes in equity.

2.7 Investment in Subsidiary Undertakings

For the year-ended 31 December 2022, a voluntary accounting policy change has been made to the valuation of investment in subsidiaries. This accounting policy applies only to the parent company balance sheet. The accounting policy has changed from fair value to cost less impairment. The comparative information for the year ended 31 December 2021 has been restated. On the Statement of Financial Position – Company only – this has resulted in a decrease to "Investment in subsidiaries" and a corresponding decrease to "Retained earnings". In the Statement of Comprehensive Income this has resulted in a decrease in the "Fair value movement in investment in subsidiaries". See note 1.1 – Company only – for the change in accounting policy note.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

2.8 Impairments

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

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

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

2.9 Investment Return

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

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

Dividends receivable from investments held within unit linked funds managed by the Group, are accrued on the ex-dividend date. All other dividends, including distributions from collective investments, are accounted for when the income can be reliably measured. The attributable investment income and net gains or loss on investments due or payable under the modified coinsurance account (see note 2.24) are due or payable simultaneously with the underlying contracts reassured which are recognised at the same point as for the Utmost International Isle of Man ("UIIOM") contract.

2.10 Other Income

Other income consists of interest income on shareholder cash and deposits from the group's ceded reinsurance on life and disability business. Interest income on shareholder cash and deposits is measured at amortised cost using the effective interest method.

2.11 Reinsurance

The Group cedes reinsurance in the normal course of business, with limits varying by line of business. Reinsurers' share of insurance contract liabilities are estimated in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

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

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

2.12 Product Classification

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

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

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

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

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

2.13 Liabilities Under Investment Contracts

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

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

2 Significant Accounting Policies continued

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

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

2.14 Insurance Contract Liabilities and Investment Contracts with Discretionary Participation Features

Insurance contracts and investment contracts with DPF are accounted subject to the requirements of "IFRS 4 – Insurance Contracts", which permits the continued usage of previously applied Generally Accepted Accounting Practices ("GAAP") and reflects the specific products and local regulatory requirements of the insurance entities of the Group including the addition of margins of prudence for certain products and insurance entities. The majority of the life assurance contracts issued by the Group are long-term life assurance contracts however there are a number of short-term insurance contracts written by UW and UPE.

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

Life Assurance Contracts

The liability is computed separately for each life assurance contract, using surrender, expense and mortality assumptions that reflect the Group's expected experience with appropriate allowance for margins of prudence. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premium is recognised.

Annuity Business

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

Deposit Administration Fund

In UW, contracts that invest in the Deposit Administration fund are classed as insurance contracts, as no market value adjustment is applied on the death of a policyholder. Deposit administration contracts contain a guaranteed rate of interest of up to 0.5% that varies by currency and reflects government bond yields, for a duration of maximum 2 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. Revenue consists of fees deducted for investment management and policy administration.

With-profits Business

The Group's with-profits business can be split between those funds where the Group is responsible for the management of the fund and those where the responsibility for the management of the fund is external to the Group. All with-profits business is classified as insurance business with the exception of with-profits investment contracts in ULP where there is no transfer of significant insurance risk or discretionary participation features. In considering the level of insurance risk, the Group has recognised the significance of the insurance guarantees attaching to the with-profits business and in particular that no market value adjustment ("MVA") is applied in the case of the death of policyholders. This compares to policy surrenders where an MVA is applied to the value of policy at exit. The liabilities for with-profits business are stated at the amount of the realistic value of the liabilities adjusted to exclude the shareholders' share of projected future bonuses. The realistic liabilities include the with-profits benefit reserve ("WPBR") and the cost of future policy-related liabilities.

Unit linked Insurance Business

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

Group Life Business

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

Unallocated Surplus

The unallocated surplus comprises the excess of the assets over the policyholder liabilities of the with-profit business. For the Group's with-profit business, the amount included in the Statement of Financial Position line item "Unallocated surplus" represents amounts which have yet to be allocated to policyholders. The with-profit business is closed to new business and as permitted by IFRS 4, the whole of the unallocated surplus has been classified as a liability.

Non-life Insurance Contracts

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium which are held for unexpired risks in addition to the claims reserves held.

Liability Adequacy Test
At each reporting date, liability adequacy tests are performed to assess whether the insurance contract liabilities and investment contracts with DPF liabilities are adequate.

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

2.15 Cash and Cash Equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.16 Other Receivables
Other receivables include debtors arising out of investment and insurance contracts as well as investment dealing debtors. Other receivables are accounted for at amortised cost less impairment, except for policyholder loans which are accounted for at fair value through profit and loss.

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

2.18 Net Premiums Earned
In respect of insurance contracts and investment contracts with DPF, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Unearned premiums are those proportions of premiums written in a year that arise on non-life insurance contracts and relate to periods of risk after the reporting date. Unearned premiums including minimum and deposit premiums are calculated on a daily *pro rata* basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Outward reinsurance premiums are accounted for on an accruals basis.

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

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

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

2.20 Renewal Commission and Advisor Fees
Advisor fees and renewal commission charges are charged to the contract holders of investment contracts for services related to administration and investment services. These fees form part of the ongoing fees paid to intermediaries and advisors. The fees charged to the investment contracts and the fees payable to the intermediaries are recognised as revenue and expenses respectively as the services are provided.

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

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

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

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

Reviews to assess the recoverability of deferred acquisition costs on investment contracts and insurance contracts are carried out at each period end date to determine whether there is any indication of impairment. If there is any indication of impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the Statement of Comprehensive Income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

2 Significant Accounting Policies continued

2.24 Modified Coinsurance Account

In 2013 Utmost Limited ("UL") entered into an agreement with AXA Hong Kong (AXA China Region Insurance (Bermuda) Limited ("CRIB")). Under this agreement the AXA Hong Kong (ACR) book of business migrated from traditional reinsurance to a modified coinsurance ("ModCo") arrangement. The main effect of the ModCo arrangement is that the statutory reserve on the ceded business is the obligation of and held by the ceding company (CRIB) rather than UL and as such the Modco does not result in the transfer of significant insurance risk. The Modco is therefore a financial asset, accounted for under the requirements of IFRS 9, held at fair value backing the investment contract liabilities on unit linked policies written with ACR and ALS.

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

A modified coinsurance arrangement similar to the one above was entered into by AXA Life Singapore Limited (ALS) and UL. The terms and conditions under this modified coinsurance arrangement are similar to the agreement with ACR.

The amounts contractually withheld and legally owned by the cedant in the form of assets equal to the reserve are reflected in the Modified Coinsurance Account. Premiums, claims arising and policy charges under this arrangement are included within the "Changes in investment contract liabilities" in the Statement of Comprehensive Income and within the "Financial assets at fair value held to cover linked liabilities" in the Statement of Financial Position. The investment returns attributable to the assets held under the Modified Coinsurance arrangement are included within "Investment return" in the Statement of Comprehensive Income. Following the transfer of business of UL to UIIOM on 30 November 2022, the Modco arrangements are now between UIIOM and CRIB.

2.25 Finance Costs

Interest payable is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest method.

2.26 Other Expenses

All other expenses, including investment management expenses, are accounted for on an accruals basis.

2.27 Pension Obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

2.27.1 Defined contribution plans

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

2.27.2 Defined Benefit Plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

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

2.28 Taxation (current and deferred)

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

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

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

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

2.29 Provisions and Contingent Liabilities

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

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

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

2.30 Leases

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

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

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

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

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

2.31 Share Capital, Share Premium and Dividends

Ordinary share capital is classified as equity. On issuance of new share capital, the excess of consideration received over the face value of the shares is recognised as share premium. Dividends are recognised in equity when they are approved by the Board.

2.32 Prospective Changes in Accounting Standards

IFRS 17 "Insurance Contracts": The IASB issued IFRS 17 in May 2017 (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 will be applied retrospectively, subject to the transitional options provided for in the standard.

The Group primarily writes investment contract business without discretionary participation features which are accounted for under IFRS 9. However, the adoption of IFRS 17 will have a significant impact on the accounting treatment of insurance contracts and investment contracts with DPF written by the Group which account for approximately 10% of the liabilities arising from investment and insurance contracts written by the Group.

Scope

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with 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 have to be separated and accounted for under another standard. Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

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 cashflows
- Risk adjustment
- Contractual service margin

Insurance and investments 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 cashflows that do not vary based on the returns on underlying items. The measurement approach for insurance and investment contracts (excluding reinsurance contracts) with DPF 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. IFRS 17 requires a portfolio of contracts to be divided into annual cohorts. As a result, a group may not include contracts issued more than one year apart. The Group judges that division of products into portfolios according to product type meets the requirements of grouping products that are managed together and give rise to similar risks. The group, on initial recognition, further divides the portfolios into insurance groups according to whether the contracts have no significant possibility of becoming onerous, are onerous and all other contracts. Insurance contracts that would have a contractual service margin "CSM") at initial recognition even after including the risk adjustment are judged to have no significant possibility of becoming onerous. Insurance contracts where at initial recognition the total of the fulfilment cashflows, any previously recognised 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 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.

2 Significant Accounting Policies continued

Insurance acquisition cashflows

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.

Before a group of insurance contracts or investment contracts with DPF is recognised, the Group could pay directly attributable acquisition costs to originate them.

Measurement

Fulfilment cash flows ("FCF")

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 cashflows 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 cashflows of a range of possible outcomes.

Underlying cashflows, 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 estimated from the published yield curve for the currency adjusted to remove the effects of ultimate forward rate adjustments.

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.

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.

Risk Adjustment

An explicit risk adjustment for non-financial risk is calculated separately from the other estimates and is included in the fulfilment cashflows. The risk adjustment is determined as the difference between the fulfilment cashflows under a single, insurance group specific, stress scenario and the base scenario calculated using the probability weighted best estimate of the cash flows. The risk adjustment is calculated without consideration for any reinsurance in place.

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. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued.

The value of reinsurance contract assets held are stated after allowance for the risk of non-performance of the counterparty. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows 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 or investment contracts with DPF issued representing the unearned profit that the Group will recognise as it provides 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 and 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 groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in the Statement of Comprehensive Income. 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 of liabilities received in insurance portfolio transfers or business combinations. 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. 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 or investment contract with DPF 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.

At the end of each 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 with the excess recognised in insurance service expenses and a loss component recognised within the liability for remaining coverage ("LRC").
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.

The interest accredited on the CSM and the interest used to evaluate any CSM adjustments on contracts measured under the GMM must be calculated using the discount rates applicable at initial recognition of the group of contracts. Changes to fulfilment cashflows and evaluation of any CSM adjustments on contracts measured under the VFA use current discount rates.

For a group of insurance contracts or investment contracts with DPF issued where the CSM would be negative, 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 creates a CSM.

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. Where 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.

The amount of the CSM recognised in the Statement of Comprehensive Income 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 or investment contract with DPF 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. Expected in-period coverage units using start of period forecasts, divided by
b. The sum of:
   i. Expected in-period coverage units using start of period forecasts, and
   ii. End of period coverage units total forecast.
c. Where all amounts included in this calculation are undiscounted.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

The coverage units used by the Group are as follows:

Business Type	Proposed Coverage Units
Non-linked	Sum at Risk
Unit linked business	Higher of unit reserves and sum assured
Unitised with-profits	Unit Fund
Annuities	Annuities paid in period (deferred annuities with no death benefit provide 20% of benefits in the deferral period)

Insurance Service Result

The insurance service result consists of insurance revenue less insurance service expenses plus the net income or expense from reinsurance contracts held.

As the Group provides services under a group of insurance contracts or investment contracts with DPF, it reduces the LRC and risk adjustment 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. The requirements in IFRS 17 to recognise insurance revenue over the coverage period of the underlying contracts will result in slower recognition of revenue compared with the Group's current accounting policy under IFRS 4.

Expenses that do not relate directly to contracts in the scope of IFRS 17 will be presented in other operating expenses under the relevant accounting standard.

The amounts recovered from reinsurers and reinsurance expenses will be presented on a net basis in the Statement of Comprehensive Income within the insurance service result.

Investment components will not be included in the insurance service result. The Group will identify the investment component of a contract by determining the amount that it would be required to pay to a policyholder in all scenarios with commercial substance.

Transition

During the year the Group has progressed the calculation of the transition balance sheet as at 1 January 2022 – this is the transition date to IFRS 17 under the requirements of the standard. 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. This is a key judgement taken by the Group in preparing the transition balance sheet.

2 Significant Accounting Policies continued

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 will be calculated as the difference between the fair value of a group of contracts at that date and the FCF at that date. The Group will measure the fair value of a group of contracts as the Solvency II best estimate liability of cashflows within the IFRS17 Contract Boundary, using a market value adjustment of approximately 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.

Under the requirements of IFRS 4 the Group had previously recognised an asset for the 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 FCF 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 4.

In applying IFRS 17 the Group has used both the GMM and the VFA. The VFA is used where the Group has direct participation in an insurance contract or investment contract.

Compared to the results of the Group under the requirements of IFRS 4, there is an increase to shareholders' equity as at 1 January 2022 of approximately £14m primarily driven by the release of prudence within the calculation of liabilities under IFRS 4 offset by the elimination of the AVIF arising on insurance contracts.

The Group's implementation project continued through 2022 with key items including the continued finalisation of methodology and developing the operational and reporting capabilities needed to implement the standard including data, systems and business processes including the control environment. In 2023 the Group will continue to embed the process and controls in respect of the standard and the calculation of the comparatives required for 2023 reporting including the finalisation of the transition balance sheet as at 1 January 2022.

3 Critical Accounting Estimates and Judgements

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

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

Critical accounting estimates

3.1 Insurance contract liabilities

The calculation of insurance contract liabilities is a critical estimate, based on the fact that although the process for the establishment of insurance liabilities follows specified rules and guidelines, the 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 2.14, and sensitivity analysis in respect of the Group's insurance business is provided in note 31.

3.2 Fair value of financial assets and liabilities

Where possible financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair values are determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as level 3 financial instruments. Level 3 financial instruments therefore involve the use of estimates. More detail on the key estimates and sensitivities of the Group's financial instruments is provided in note 32.

3.3 Recoverability of acquired value of in-force business

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

4 Subsidiaries

The consolidated financial statements include the following subsidiaries as at 31 December 2022:

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	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	Former life assurance provider	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
AAM Advisory Pte. Ltd.	30 Nov 21	138 Market Street, #06-01, Capita Green Singapore 048946	Advisory 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 Isle of Man Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Investment holding	100% of issued share capital
Quilter International Middle East Limited	30 Nov 21	Office 14-36, Level 14, Central Park Towers, Dubai International Financial Centre, PO Box 482062, Dubai, United Arab Emirates.	Provision of financial services	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 International Trustee Solutions Limited	30 Nov 21	King Edward Bay House Onchan, Isle of Man	Management and administration services	100% of issued share capital
Utmost Trustee Solutions Limited	21 Oct 2016	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
UIG Holdings (No 1) Ltd.	13 Jun 18	5th Floor Saddlers House 44 Gutter Lane London	Dormant company	100% of issued share capital
Utmost Holdings Ireland Limited	13 Jun 18	Ashford House Tara Street Dublin 2	Investment Holding	100% of issued share capital
Utmost PanEurope dac	19 Jun 18	Navan Business Park Athlumney, Navan, Co.Meath Ireland	Writing long-term assurance business	100% of issued share capital
Athlumney Kappa (Ireland) DAC	30 Nov 21	Ashford House Tara Street Dublin 2	Former life assurance provider	100% of issued share capital

4 Subsidiaries continued

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
Utmost Services Ireland Limited	13 Jun 18	Ashford House Tara Street Dublin 2	Management and administration services	100% of issued share capital
Harcourt Life Corporation dac	13 Jun 18	Ashford House Tara Street Dublin 2	Former life assurance provider	100% of issued share capital
Utmost Bermuda Limited	13 Jun 18	Clarendon House 2 Church Street, Hamilton Bermuda	Writing long-term assurance business	100% of issued share capital
Utmost Worldwide Limited	28 Feb 19	Utmost House Hirzel Street St Peter Port Guernsey	Writing long-term assurance business	100% of issued share capital
Utmost Switzerland Gmbh	11 Oct 21	Zweigniederlassung Schweiz, Adliswil, Soodmattenstrasse 4, 8134 Adliswil Zurich Switzerland	Service Company	100% of issued share capital
Dynasty ICC Limited	18 Nov 21	Utmost House Hirzel Street St Peter Port Guernsey	Service Company	100% of issued share capital
Utmost Portfolio Management Limited	28 Feb 19	Utmost House Hirzel Street St Peter Port Guernsey	Provision of financial services	100% of issued share capital
Utmost International Middle East Limited	8 Apr 19 (incorporation date)	Level 17, Central Park Offices, Dubai International Financial Centre, UAE	Provision of financial services	100% of issued share capital
Utmost Worldwide Employee Pension Scheme Limited	5 Sep 19	Albert House South Esplanade St Peter Port, Guernsey	Group pension scheme trustee	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
RMIS (RTW) Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Member settlements	100% of issued share capital
Reliance Unit Managers Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Unit Trust Management	100% of issued share capital
Reliance Pension Scheme Trustee Limited	1 Apr 18	Walton Street, Aylesbury, HP21 7QW	Group pension scheme trustee	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
Electrolight Investments Limited	30 Nov 21	2nd Floor, Gaspe House, 66-72 Esplanade, St Helier, JE1 1GH	Private company holding	100% of issued share capital
Rosco Bahamas Ltd.	30 Nov 21	Amicorp Bahamas Management Limited, Shirley & Charlotte Streets, PO Box N-4865	Private company holding	100% of issued share capital
Atwood Development S.A.	30 Nov 21	2nd Floor, MMG Building, East 53rd Street, Marbella, Panama City	Private company holding	100% of issued share capital
Accord Brook S.A.	30 Nov 21	2nd Floor, Humboldt Tower, East 53rd Street, Urb., Marbella, Panama City	Private company holding	100% of issued share capital
Isidro Mayo Corp.	30 Nov 21	2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Wickhams Cay II, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Libby Ventures Ltd	30 Nov 21	Citco BVI Limited, Flemming House, PO Box 662, Wickhams Cay, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Volenda Finance Inc.	30 Nov 21	Level 1, Palm Grove House, Wickhams Cay I, Road Town, Tortola	Private company holding	100% of issued share capital
Pacific Commercial Services Ltd DCAF Ltd	30 Nov 21	MMG Trust (BVI) Corp, Morgan and Morgan Building, Pasea Estate, Road Town, Tortola	Private company holding	100% of issued share capital
Akito Inc.	30 Nov 21	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Avanna Global Corp.	30 Nov 21	Palm Chambers, 197 Main Street, PO Box 3174, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Elegant Inn Inc	30 Nov 21	Tortola Pier Park, Building 1, Second Floor, Wickhams Cay 1, Road Town, Tortola	Private company holding	100% of issued share capital
South Surrey Investment & Finance S.A.	30 Nov 21	Trident Chambers, P.O. Box 146, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital
Seaview Holdings Investment Limited	30 Nov 21	Trinity Chambers, PO Box 4301, Road Town, Tortola	Private company holding	100% of issued share capital
Bliss Spring Limited Epoch Vision Ventures Limited Grandeur Valley Limited Sitori Trading Limited	30 Nov 21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110	Private company holding	100% of issued share capital

4 Subsidiaries continued

Subsidiary	Date of acquisition	Registered address/ business address	Nature of business	Shares held
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
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	17 May 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	28 Mar 22	Tirdent Chambers, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Highland River Limited	16 Dec 22	Vistra Corporate Services Centre, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Lumos Industrial Company Limited	30 Dec 22	Clarence Thomas Building, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Nextgen Assets Limited	21 Jun 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	Private company holding	100% of issued share capital
Planinvest Inversiones Limited	20 Jun 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	17 Jun 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	17 May 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	6 Jun 22	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	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 before tax is provided below:

Operating profit	2022 £'000	2021 £'000
UWS	185,137	75,621
UCS	(2,514)	20,821
ULP	52,249	45,012
Other reconciling items	(10,807)	(9,611)
Total segmental operating profit	224,065	131,843
Gains arising on bargain purchases	–	309,643
Amortisation of AVIF and depreciation	(163,378)	(64,985)
Finance costs	(17,782)	(18,450)
Non-recurring items	(23,898)	29,608
Profit before tax	19,007	387,659

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5 Segmental analysis continued

A breakdown of revenue by segment is provided below:

2022

£'000	UWS	UCS	ULP	Other reconciling items	Total
Net premiums earned	83,729	73,871	(4,259)	–	153,341
Fees and charges receivable	323,742	14,967	33,677	(7,472)	364,914
Other operating income	22,197	3,200	–	(6,883)	18,514
Total segmental revenue	429,668	92,038	29,418	(14,355)	536,769

2021

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

Of the revenue from external customers presented in the table above, £202,878k (2021: £106,983k) is attributable to customers in the United Kingdom and £333,891k (2021: £178,160k) to the rest of the world. No revenue transaction with a single customer external to the Group amounts to greater than 10% of the Group's revenue.

The Group has total non-current assets (other than financial assets, deferred tax assets and reinsurers' share of insurance contract liabilities) of £114,687k (2021: £123,942k) located in the United Kingdom and £945,941k (2021: £1,058,294k) located in the rest of the world. The non-current assets arise in the reportable segments detailed above.

6 Fees and charges receivable

	2022 £'000	2021 £'000
Fee income from investment contracts	349,210	173,390
Net movement in deferred front-end fees	(10,768)	(5,167)
Other fee income – including commission and rebate income	26,472	23,631
Total fee income	364,914	191,854

7 Investment return

	2022 £'000	2021 £'000
Interest income on financial investments	52,552	63,492
Dividend income	335,288	103,169
Net gains on realisation of financial investments	384,485	747,542
Change in fair value of financial investments	(7,331,003)	2,478,286
Net foreign exchange (losses)/gains	(325,170)	198,632
	(6,883,848)	3,591,121

8 Administrative expenses

	2022 £'000	2021 £'000
Staff costs		
Wages and salaries	**81,380**	56,301
Social insurance costs	**9,298**	5,652
Pension costs – defined contributions	**6,805**	4,439
Termination costs	**645**	1,078
Other staff costs	**2,760**	2,806
	100,888	70,276
Depreciation of property, plant and equipment	**6,558**	5,160
Amortisation of intangible assets – software	**195**	175
Auditors fees	**3,382**	3,018
Auditors fees non-audit services	**1,096**	701
Professional fees	**22,757**	21,172
Other administrative costs	**46,505**	23,563
Total administrative expenses	**181,381**	124,065

The average number of employees during the year was 1,506 (2021: 1,129).

The auditors fees for the audit of the annual accounts of the Company are £489k (2021: £403k), the auditors fees for the audit for the annual accounts of the subsidiaries are £2,893k (2021: £2,810k) and the auditor fees for audit related assurance services are £1,096k (2021: £701k).

9 Finance costs

	2022 £'000	2021 £'000
Interest expense	**16,501**	18,040
Lease liability finance cost	**1,281**	410
	17,782	18,450

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 2022 are detailed in note 25. There are no other gains or losses on these liabilities.

10 Tax charge

	2022 £'000	2021 £'000
Current taxation charge	**13,332**	8,520
Deferred taxation charge	**(8,993)**	11,927
Taxation charge	**4,339**	20,447

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

UK Taxation
The Company pays UK income tax at the standard rate of 19% (2021: 19%). From 1 April 2023, the corporation tax rate is set to increase to 25%. The Group's UK life assurance entities are not only subject to tax at the UK standard rate (currently 19%) on their profits but are also subject to UK tax at the policyholder rate (20%) on investment returns accruing to the benefit of certain policyholders. The amount of the tax charge that related to policyholder taxes in 2022 was £(9.0m) (2021: £4.2m). The UK Government has confirmed its commitment to legislate for the Global Anti-Base Erosion Model Rules (Pillar Two) ("GloBE") 15% minimum tax effective 1 January 2024. The Group continues to monitor how GloBE will be implemented across its regions, as the tax has the potential to increase the corporate tax payable in some of our regions, hence decrease Group profits after tax in future.

Guernsey Taxation
Utmost Worldwide pays tax at 0% (2021: 0%) on its business in Guernsey. Applicable tax rates in other jurisdictions where the Guernsey subsidiaries suffer taxation were Hong Kong 8.25% (2021: 8.25%) on the first HKD 2M of assessable profits and 16.5% (2021: 16.5%) thereafter, 12.5% (2021: 12.5%) in Ireland, Switzerland average 20.3% (2021: 20.3%) and 17% (2021: 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% (2021: 0%). Applicable tax rates in other jurisdictions where the Isle of Man subsidiaries suffer taxation were Hong Kong 8.25% (2021: 8.25%) on the first HKD 2M of assessable profits and 16.5% (2021: 16.5%) thereafter, 12.5% (2021: 12.5%) in Ireland and 17% (2021: 17%) in Singapore.

10 Tax charge continued

Ireland Taxation

The Irish operating subsidiaries are subject to tax at 12.5% (2021:12.5%).

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

	2022 £'000	2021 £'000
Profit on ordinary activities before taxation	19,007	387,659
Tax at the UK rate of 19% (2021: 19%)	3,611	73,655
Adjustment in respect of prior year	712	1,294
Impact of rate change	172	5,251
Recognition of unrecognised tax losses	(1,692)	(885)
Non-deductible losses (Non-taxable profits)	4,580	(57,908)
Non-deductible expenses	2,958	1,386
Tax on profit subject to UK policyholder rate	(9,028)	4,222
Tax on profits subject to a different rate	2,918	(6,928)
Other	108	360
Tax charge for the year	4,339	20,447

11 Acquired value of in-force business

Cost	2022 £'000	2021 £'000
At 1 January	1,321,318	652,564
Value of in-force policies acquired	–	681,752
Foreign exchange movement	12,682	(12,998)
At 31 December	1,334,000	1,321,318
Accumulated amortisation and impairment		
At 1 January	225,267	169,420
Charge for the year	156,625	59,650
Impairment	8,421	–
Foreign exchange movement	3,843	(3,803)
At 31 December	394,156	225,267
Net book value at 31 December	939,844	1,096,051
Current (within 12 months)	136,701	156,206
Non-current (after 12 month)	803,143	939,845
	939,844	1,096,051

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 2022, the carrying value of the AVIF in respect of contracts in Athlumney Kappa (Ireland) DAC exceeded the present value of estimated future profits as a result of higher than forecast expenses and as such an impairment charge of £8,421k has been recognised.

12 Deferred Acquisition Costs

	2022 £'000	2021 £'000
At 1 January	58,386	44,516
Acquisition costs capitalized during the year	36,044	18,076
Acquisition costs amortised during the year	(7,211)	(2,584)
Foreign exchange movement	1,996	(1,622)
At 31 December	89,215	58,386
Current (within 12 months)	9,653	7,556
Non-current (after 12 months)	79,562	50,830
	89,215	58,386

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

13 Other Intangible Assets

	Software £'000	Total £'000
Year ended 31 December 2021		
Opening net book amount	608	608
Additions	152	152
Amortisation charge	(175)	(175)
Closing net book value	585	585
Net book value		
Cost	3,770	3,770
Accumulated amortisation	(3,185)	(3,185)
At 31 December	585	585
Year ended 31 December 2022		
Opening net book amount	585	585
Additions	26	26
Disposals	(8)	(8)
Amortisation charge	(195)	(195)
Closing net book value	408	408
Net book value		
Cost	3,788	3,788
Accumulated amortisation	(3,380)	(3,380)
At 31 December	408	408

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14 Property, Plant and Equipment

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

	Right of use asset £'000	**Leasehold improvements computer and office equipment £'000**	**Total £'000**
Year ended 31 December 2022			
Opening net book amount	**25,127**	**2,087**	**27,214**
Additions on acquisitions of subsidiaries	**–**	**–**	**–**
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**

15 Financial Assets at Fair Value Held to Cover Linked Liabilities

	2022 £'000	2021 £'000
Fixed income securities	**2,226,839**	1,557,727
Deposits and loans	**294,696**	996,247
Ordinary shares and funds	**49,576,002**	55,128,036
Other investments	**870,068**	626,079
Modified coinsurance account	**365,990**	408,943
Cash and cash equivalents	**3,582,433**	3,253,320
	56,916,028	61,970,352

Included in the analysis above are investments of £2,469,181k (2021: £1,791,364k) which are Level 3 assets in the Fair Value Hierarchy. The nature of these assets means there may be limited liquidity through suspensions, liquidations or by the nature of assets the underlying fund invests into.

Other investments includes structured notes and collateralised securities.

Interest in Structured Entities

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

The Group considers its investments in collective investment schemes to be investments in unconsolidated structured entities, which are recognised within "Financial assets at fair value held to cover linked liabilities" on the Statement of Financial Position. These investments largely represent assets held to back policyholder linked liabilities, and as such any market movements (recognised within "Investment return" in the Statement of Comprehensive Income) are matched by a change in investment contract liabilities in the Statement of Comprehensive Income.

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:

	2022 £'000	2021 £'000
Balance at 1 January	408,943	402,073
Deposits to investment contracts	655	3,958
Withdrawals from investment contracts	(17,875)	(118,214)
Attributable investment income	3,193	1,537
Attributable net gain/(loss) on investments	(27,125)	121,880
Policy charges	(1,784)	(2,250)
Attributable expenses and charges	(17)	(41)
Balance at 31 December	365,990	408,943

16 Other Investments

	2022 £'000	2021 £'000
Debt securities – at fair value through profit and loss	1,193,128	1,517,125
Debt securities – at fair value through other comprehensive income	154,966	254,344
Debt securities at amortised cost	8,982	9,297
Ordinary shares and funds – at fair value through profit and loss	218,779	240,142
Other	4,443	21,527
	1,580,298	2,042,435

Ordinary shares and funds includes the Group's holdings in the Oaktree European Senior Loan Fund, domiciled in Luxembourg. This fund has monthly valuation and liquidity. This investment falls into the Level 2 fair value hierarchy. The Group's holdings are in the GBP share class of £35,852k at 31 December 2022 (2021: £36,983k). Dividends are made quarterly and reinvested in additional units in the fund. The investment return on the investment is attributable in full to the Group. The security is subject to prices in the future which are uncertain. The price risk falls to the Group but is not considered significant as at 31 December 2022 and 31 December 2021.

17 Italian Withholding Tax Asset

	2022 £'000	2021 £'000
Asset		
Balance at 1 January	108,899	114,718
Payable in the year	–	17,647
Recovered from policyholders during the year	(4,627)	(13,492)
Prior year adjustments	(881)	(2,982)
Foreign exchange movement	5,541	(6,992)
Balance at 31 December	108,932	108,899
Liability		
Balance at 1 January	–	–
Payable in the year	17,295	–
Paid during the year	(17,571)	–
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	108,932	91,605
In more than five financial years, but not more than twenty financial years	–	17,294
Total	108,932	108,899

The Italian withholding tax asset represents a 'tax prepayment' asset relating to prepaid withholding tax in relation to unit linked business sold by UPE to Italian policyholders on a 'Freedom of Services' basis. The amount prepaid to the tax authority is based on a percentage of total mathematical reserves ("MR") for the Italian business (currently 0.45%) and is paid each June subject to a cap of a specified percentage (currently 1.8%) of MR in respect of Italian policies. The tax prepayment is recovered over time via several methods, including reclaiming tax directly from policyholders who elect to surrender their policy, or alternatively reducing the amount paid to the Italian tax authority in future periods, using specific rules which allow the prepayment to be reduced based on amounts paid 5 years beforehand.

18 Other receivables

	2022 £'000	2021 £'000
Debtors arising out of investment and insurance contracts	49,332	46,114
Investment dealing debtors	26,059	13,966
Retirement benefit asset (see note 20)	9,687	3,018
BNP Paribas collateral	–	7,400
Accrued income and prepayments	52,884	50,046
Policyholder loans	165,168	171,516
Other receivables	31,042	22,417
	334,172	314,477
Current (within 12 months)	324,485	304,059
Non-current (after 12 months)	9,687	10,418
	334,172	314,477

The BNP Paribas collateral above relates to cash collateral received under derivative arrangements with the counterparty BNP Paribas as at 31 December 2021.

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

19 Cash and Cash Equivalents

	2022 £'000	2021 £'000
Deposits with credit institutions	208,991	173,755
Cash at bank	258,792	278,431
	467,783	452,186

20 Retirement Benefit Schemes

The Group operates two defined benefit pension schemes – the Reliance Pension Scheme ("RPS") and Utmost Worldwide Employee Pension Scheme ("UWEPS"). Under IAS 19: Employee Benefits and IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, the Group only recognises a surplus to the extent that it is able to access the surplus either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members.

The assets and liabilities of the two defined benefit schemes are as follows:

	As at 31 December 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)
Re-measurement recognised	(15,949)	6,616
Actual return on fund assets	16,938	3,115
Pension scheme expenses	–	–
Change in onerous liability	(1,153)	–
	(143)	9,678

	As at 31 December 2021	
	RPS £'000	UWEPS £'000
Present value of funded obligations	(40,030)	(20,491)
Fair value of plan assets	39,713	23,509
Onerous liability	(1,131)	–
Net (liability)/asset recognised in the Statement of Financial Position	(1,448)	3,018

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

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

20 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 2022 RPS £'000	For the year ended 31 December 2022 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**

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

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 2022 RPS £'000	For the year ended 31 December 2022 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**

	For the year ended 31 December 2021 RPS £'000	For the year ended 31 December 2021 UWEPS £'000
Change of fair value of plan assets		
Fair value of plan assets at 1 January	39,373	22,154
Interest on assets	563	302
Return on assets (not including interest)	(213)	2,228
Benefits paid	(792)	(1,175)
Contributions by the Group	1,011	–
Pension scheme expenses	(229)	–
Closing fair value of plan assets	39,713	23,509

The weighted average durations of the liabilities of RPS and UWEPS were 23 years and 26 years respectively as at 31 December 2022 (23 years and 26 years respectively as at 31 December 2021).

Plan asset disaggregation by asset class

	As at 31 December 2022 RPS %	As at 31 December 2022 UWEPS %
Equities	**31.1**	**–**
Bonds	**67.9**	**65.5**
Property	**–**	**–**
Cash	**1.0**	**34.5**
	100.0	**100.0**

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

Plan asset disaggregation by asset class

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

Plan assumptions

	As at 31 December 2022 RPS %	As at 31 December 2022 UWEPS %
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**

Plan assumptions

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

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 2022	**RPS**	**22.2**	**23.5**	**24.5**	**25.9**
	UWEPS	**23.5**	**24.4**	**25.1**	**26.2**
31 December 2021	RPS	22.5	23.8	24.8	26.3
	UWEPS	23.2	24.2	24.9	26.0

20 Retirement benefit schemes continued

Sensitivity Analysis

The following tables illustrate the sensitivity of the Retirement Benefit Obligations of the two schemes at 31 December 2022 to changes in the significant actuarial assumptions. The below sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

RPS

	Impact on value of retirement benefit obligation	
	£m	£m
Scenario		
Interest rates – up 50 bps/down 50 bps	(1.8)	2.0
Inflation – up 50 bps/down 50 bps	1.1	(1.1)
Mortality tables – add/subtract 5% to scaling factor	(0.3)	0.3

UWEPS

	Impact on value of retirement benefit obligation	
	£m	£m
Scenario		
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 scaling factor	(0.1)	0.1

Funding Policy

RPS

On 1 April 2018, as part of the business transfer arrangements between RMIS and the Company, ULPL 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 2022 the Company made contributions (including deficit funding) of £1.0m (2021: £1.0m).

UWEPS

Following the cessation of accrual of benefits with effect from 31 December 2010, regular contributions to the Fund are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation. The funding method employed to calculate the value of previously accrued benefits is the Attained Age Method. During the financial year the Trustee agreed the level of contributions payable to the scheme by the Group to meet any shortfall arising following an actuarial valuation, with the proviso that the payment of contributions will be spread over a period of not more than five years from the valuation date. During the year the Company did not make any contributions (2021: £nil).

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

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

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

21 Investment Contract Liabilities

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

	2022 £'000	2021 £'000
Balance at start of year	59,983,184	34,556,745
Addition on acquisition of subsidiaries	–	22,548,738
Deposits to investment contracts	4,188,728	2,803,062
Withdrawals from investment contracts	(3,287,009)	(2,662,317)
Fees and charges deducted including third party charges	(351,518)	(145,696)
Commissions and rebates receivable	449	595
Change in investment contract liabilities	(6,632,124)	3,543,094
Other movements	(1,527)	(1,379)
Foreign exchange movement	1,060,483	(659,658)
Movement in the year	(5,022,518)	25,426,439
Closing balance carried forward	54,960,666	59,983,184

Any policy can be surrendered at any time, investment contract liabilities therefore have a minimum maturity of 0-1 years. In practice, this is unlikely to happen given that these products are long-term investment contracts and more specifically, may reflect the settlement terms achieved on the disposal of assets in the terms it offers on the settlement of liabilities backed by those assets.

22 Insurance Contract Liabilities

	Gross liabilities 2022 £'000	Reinsurers' share 2022 £'000	Gross liabilities 2021 £'000	Reinsurers' share 2021 £'000
Insurance contracts	4,146,347	936,848	4,695,549	1,130,143
Investment contracts with DPF	39,547	–	42,875	–
As at 31 December	4,185,894	936,848	4,738,424	1,130,143

	Gross liabilities	Reinsurers' share	Gross liabilities	Reinsurers' share
As at 1 January	4,738,424	1,130,143	3,383,456	1,193,523
Additions on acquisition of subsidiaries	–	–	1,627,813	7,236
Policyholder premiums	290,877	137,536	232,703	146,819
Policyholder claims	(366,202)	(93,760)	(296,443)	(118,644)
Other changes in liabilities	(553,099)	(268,993)	(152,648)	(65,723)
Foreign exchange movements	75,894	31,922	(56,457)	(33,068)
As at 31 December	4,185,894	936,848	4,738,424	1,130,143

The reinsurers' share balance above consists of the reinsurers' share of insurance contract liabilities balance of £976,363k (2021: £1,188,038k) offset by the reinsurance liability balance of £39,515k (2021: £57,895k).

22 Insurance contract liabilities continued

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

	2022 £'000	2021 £'000
Life assurance reserve	3,803,363	4,383,293
Unearned premium reserve	25,136	21,455
Incurred but not reported reserve	67,671	57,275
Reported but not settled reserve	268,258	251,484
Other	21,466	24,917
	4,185,894	4,738,424

The maturity analysis below is presented on an estimated timing of the discounted net cash outflows arising on the insurance contract liabilities and reinsurance liabilities. Certain insurance policies can be surrendered at any time, and all insurance liabilities of this kind are therefore shown with a maturity of within 1 year. In practice, this is considered unlikely to happen. The Group has the general right to delay any surrender or surrenders to protect the interest of other policyholders and more specifically, may reflect the settlement terms achieved on the disposal of assets in the terms it offers on the settlement of liabilities backed by those assets.

	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000
2022	4,225,409	2,918,332	567,976	739,101

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

23 Unallocated Surplus

	2022 £'000	2021 £'000
At 1 January	107,332	96,470
Transfer (to)/from Statement of Comprehensive Income	(16,148)	12,633
Foreign exchange adjustments	1,315	(1,771)
At 31 December	92,499	107,332

24 Deferred Front End Fees

The movement in value over the year is summarised below:

	2022 £'000	2021 £'000
At 1 January	62,070	52,256
Fees received and deferred during the year	17,644	16,103
Recognised in contract fees and other movements during the year	(5,165)	(3,668)
Foreign exchange movements	2,515	(2,621)
	77,064	62,070
Current (within 12 months)	3,011	6,886
Non-current (after 12 months)	74,053	55,184
	77,064	62,070

25 Borrowings

	2022 £'000	2021 £'000
Loan principal	**400,000**	400,000
Loan accrued interest	**710**	4,690
	400,710	404,690
Payable within one year	**710**	4,690
Payable after more than one year	**400,000**	400,000
	400,710	404,690

On 9 November 2020 Utmost Group plc issued £300,000k of Tier 2 loan notes, listed on The International Stock Exchange, to its immediate parent company Utmost Holdings (Guernsey) Limited. The Group used the proceeds of this issuance to repay the existing debt facilities between UIG Holdings (No 1) Ltd and Utmost UK Group Holdings Limited with Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 6% with interest repayments in May and November.

On 15 September 2021 Utmost Group plc issued £400,000k of Tier 2 loan notes maturing in December 2031, listed on the Global Exchange Market. The Group used £300,000k of the proceeds of this issuance to repurchase the existing Tier 2 loan notes from its immediate parent company Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 4% with interest repayments in June and December. The fair value of the Tier 2 loan notes as at 31 December 2022 is £299,988k (2021: £397,160k).

26 Deferred Tax Assets and Liabilities

	2022 £'000	2021 £'000
Deferred tax assets	**1,895**	2,580

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

	2022 £'000	2021 £'000
Balance as at 1 January	**2,580**	7,725
Deferred tax (credit)/charge for the year	**(721)**	(4,864)
Foreign exchange movement	**36**	(281)
Balance as at 31 December	**1,895**	2,580

	2022 £'000	2021 £'000
Deferred tax liability	**48,004**	57,774

The deferred tax liability arises on the acquisitions of Quilter International (£9,396k), UPE (£15,130k), Utmost Worldwide (£1,212k) and ELAS and RMIS (£22,266k), 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:

	2022 £'000	2021 £'000
Balance as at 1 January	**57,774**	40,205
Additions on acquisition of subsidiary	**–**	11,374
Deferred tax charge for the year	**(10,769)**	3,933
Other	**–**	3,224
Foreign exchange movement	**999**	(962)
Balance as at 31 December	**48,004**	57,774

27 Other Payables

	2022 £'000	2021 £'000
Tax payable/provision – policyholders	4,615	20,073
Corporation tax payable	4,738	12,204
Premiums received in advance of policy issue	54,536	43,268
Amounts due to investment contract holders	171,906	56,392
Investment dealing creditors	6,224	23,300
Lease liability	29,110	25,373
Collateral due to BNPP	–	7,400
Other creditors and accruals	113,281	111,277
	384,410	299,287

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

	2022 £'000	2021 £'000
Opening amount	25,373	18,668
Additions on acquisition of subsidiary	–	10,633
Additions	6,969	999
Interest charge in the year	1,281	410
Lease payments made in the year	(4,902)	(4,880)
Foreign exchange movements	389	(457)
	29,110	25,373
Current (within 12 months)	2,977	5,193
Non-current (after 12 months)	26,133	20,180
	29,110	25,373

28 Equity

	2022 Number	2021 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 2022	Ordinary No. of shares 2021
At beginning of the year	392,500,000	100,000,000
Issued during the year	–	292,500,000
Redeemed during the year	–	–
At end of financial year	392,500,000	392,500,000

Restricted Tier 1 Loan Notes

	2022 £'000	2021 £'000
Restricted Tier 1 notes issuance	297,600	–
	297,600	–

UGP undertook an issuance of £300m of 6.125% perpetual Restricted Tier 1 notes ("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 UGP. Interest repayments are in June and December and are debited to retained earnings. The interest payments for 2022 (net of tax relief) are £13,783k.

29 Foreign Currency Translation Reserve

	2022 £'000	2021 £'000
At beginning of the year	(7,790)	11,629
Foreign currency translation movements in the year	13,581	(19,419)
At end of year	5,791	(7,790)

The foreign currency translation reserve ("FCTR") represents the cumulative foreign currency impact arising from the translation of the results and financial position of subsidiaries where the functional currency differs from the Group's presentation currency of Pounds Sterling. The exchange differences referred to result from translating income and expenses at the exchange rates at the dates of transactions and assets and liabilities at the closing rate, and from translating the opening net assets at a closing rate that differs from the previous closing rate.

30 Cash flow statement

	2022 £'000	2021 £'000
Profit before taxation	19,007	387,659
Non-cash movements		
Amortisation of AVIF	156,625	59,650
Impairment of AVIF	8,421	–
Depreciation of property, plant and equipment	6,558	5,160
Amortisation of intangible assets	195	175
Gains arising on bargain purchases	–	(309,643)
Finance costs	17,782	17,748
Change in working capital		
Movement in investment contract and insurance contract liabilities, net of policyholder claims	(5,392,655)	4,236,963
Movement in unallocated surplus	(16,148)	12,633
Net movement in financial assets	5,442,165	(4,300,668)
Change in other working capital items	17,557	(278)
Tax paid	(14,118)	(3,871)
Net cash flows generated from operating activities	245,389	105,528

31 Risk management

The identification, measurement and management of risk is a priority for the Group. Consequently the Board of directors has established a comprehensive framework covering accountability, oversight, measurement and reporting to ensure maintenance of sound systems of internal control and risk management to ensure the Group operates within its risk appetite. Risk appetite is a measure of the amount and type of risks the Group is willing to accept in pursuit of its objectives. It seeks to encourage a measured and appropriate approach to risk to ensure risks are understood and aligned to the business strategy and objectives.

Governance Structure

The Group's governance structure comprises the 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, ULPL 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 ULPL With-Profits Committee ("WPC") has delegated responsibility to act in an advisory capacity to inform decision-making by the ULPL Board in relation to the management of ULPL's With-Profits Sub-Funds ("WPSFs"), including the way in which each of the WPSFs is managed by ULPL including adherence to the Principles and Practices of Financial Management ("PPFM") and the future distribution of surplus in the WPSFs. The WPC pays close regard to policyholders' reasonable expectations and ensures that principles of Treating Customers Fairly are followed. The principal risks faced by the Group are financial and insurance risks, operational and compliance risk, risks directly related to execution of business strategy, including the distribution of products and acquisition and integration of other businesses, and strategic and external environment factors. Existing or potential future risk exposures are investigated in a structured way, using internal and external resources and actions to mitigate, contain or remove these risks are taken.

Insurance Risk

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

- Expenses – Policies cost more to administer than expected;
- Lapses – An adverse movement in ether surrender rates or persistency rates on policies with guaranteed benefits leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.
- Mortality/longevity – Higher than expected death claims on assurance products and payments for a longer duration for annuity products;
- Claims – Higher than expected claims on short term insurance contracts.
- Options and guarantees – Higher than expected take-up rate on options or guarantees that are in the money.

The impact of Covid-19 on the mortality, expenses, lapses and claims risks of the Group has been limited during 2022.

Expense Risk

Expense risk is the risk that actual expenses of the Group differ from the levels expected and allowed for within the pricing and reserving process. Expenses are reviewed annually in light of experience and any changes to the market rate of inflation. A 10% increase to expenses would decrease profit by £12.8m (2021: £47.7m).

Lapse and Claim Rates

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

The following table details the impact to the Group if a 20% mass lapse were to occur:

	Profit before tax	Shareholder equity
2022	**(£8.2m)**	**(£8.2m)**
2021	(£126.2m)	(£126.2m)

Mortality and Longevity Rates

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

Policyholder Options and Guarantees

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

Valuation of non-life insurance contracts

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

Objectives and Policies for Mitigation 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 2022 and 2021 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 3 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.

ULPL's with-profits provisions exclude future final bonuses because these are not guaranteed. The excess of assets over liabilities in the with-profits funds shall be used to enhance the bonuses in these funds.

Insurance Risk by Product

As detailed in note 22, approximately 22% (2021: 24%) of the Group's insurance business is reinsured to external counterparties and the credit ratings of material counterparties are detailed in the reinsurance section above.

Of the insurance business which is not reinsured, the most material blocks of business are the annuities sold by UW and ULPL for which specific risks are disclosed and sensitivities provided in the annuity products section below.

The Group also has material protection business for which the principal risks are disclosed below however we note that a reasonable change in any of the underlying assumptions used in determining the liability would not lead to a material change in net assets due to significant reinsurance.

As detailed in the insurance contracts accounting policy, the deposit administration business is classified as insurance business as no market value adjustment is applied on the death of a policyholder. In respect of this surplus we note that due to adequate surplus in the unallocated divisible surplus any potential impacts to equity or profit and loss are immaterial. Impacts on this product are limited to non-unit reserves which reflect fees less expenses and as such this business is not materially sensitive to changes in underlying assumptions.

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

Annuity Products

The Group has books of annuity business in UW and ULPL for which the principal risk is longevity. Benchmarking is used to maintain provisions in line with up-to-date developments in life expectancy for the types of lives covered. Assets are closely matched to the liabilities to hedge the Group against interest rate risk for this class of business. The key sensitivity for this class of business is to longevity assumptions. An increase in future mortality improvements of 1% combined with a 10% reduction in the mortality base tables has been estimated to increase the gross insurance contract liabilities by £22.7m (2021: £60.9m).

With-profit business (unitised)

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

Protection

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

Investment and Market Risks

The use of financial instruments naturally exposes the Group to the risks associated with them, primarily market risk, credit risk and capital solvency risk.

31 Risk management continued

Market risk is the risk that the value of an investment or portfolio decreases as a result of changes in, inter alia, equity prices, foreign exchange rates, interest rates or commodity prices. The extent of the exposure to market risk is managed by the respective Investment Committees in the subsidiary operating companies and via compliance with the respective investment policies incorporating defined limits and guidelines. Both the operational compliance and the risk appetite are actively managed through the Investment Committees. Concentration risk is one factor considered to ensure there is no loss arising from overdependence on a single asset class or category of business (see Credit Risk note). In respect of the shareholder backed debt securities, the risks are relatively low as assets are invested in short dated highly rated instruments. The sensitivity of these debt securities to movements in interest rates is detailed in the interest rate risk section below. If equity and property prices were to fall by 10% the impact to the net assets of the group would be approximately (£2.3m) (2021: £11.1m).

Unit linked funds

Assets held on behalf of policyholders are subject to market risk, including price and foreign exchange risk, credit risk, liquidity risk and funding risk. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities. The Group's exposure to market risk on unit linked funds is limited to the extent that income arising from asset management charges in certain funds, and its ability to collect that income, is based on the cash flows arising and the value of the assets in the fund, and to changes in the value of any units in funds the Group may hold. In many products the asset management charge is based on the higher of premiums paid or fund value, further limiting this risk. The Group's assessment concludes that if markets were to suffer a permanent fall of 10%, the impact on Group fee income for the year would be a reduction of approximately £24.6m (2021: £16.1m). The impact to the Group's profit would be less than this due to certain expenses also being variable in nature.

Interest Rate Risk

Interest rate risk is the risk that the Group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates. The Group manages interest rate risk through the activities of the Investment Committees in the local businesses through regular assessments and monitoring of the investment portfolios.

The Group is primarily exposed to interest rate risk on the balances that it holds with financial institutions, borrowings from credit institutions as well as through the shareholder debt securities held in UW and ULPL. A change in interest rates will impact the Group's annual investment income and equity.

The Group also holds assets, on behalf of policyholders, which are exposed to interest rate movements. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities.

For unitised with-profit business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. In practice, the Group maintains an appropriate mix of fixed and variable rate income securities according to the underlying insurance or investment contracts and reviews this at regular intervals to ensure that overall exposure is kept within the agreed risk profile. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

The Group is exposed to interest rate risk through the closed annuity books in UW and ULPL. In respect of this assets are closely matched to the estimated liabilities to immunise the Company against interest rate risk for this book of business. The liability discount rates reflect the yields obtained on the segregated asset portfolios. The portfolios have individually defined investment guidelines including asset allocation strategies. The discount rates include an allowance for a default margin to make allowance for credit risk. The following table details the impact to the Group if interest rates were to increase or decrease by 100 bps:

	2022		2021	
	Profit before tax	Shareholder equity	Profit before tax	Shareholder equity
Increase of 100bps in interest rates	£1.2m	(£1.1m)	£5.5m	£5.3m
Decrease of 100 bps in interest rates	(£10.6m)	(£8.6m)	(£42.3m)	(£43.0m)

Currency Risk

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

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

The Group is exposed to currency risk on the foreign currency denominated bank balances, contract fees receivable and other liquid assets that it holds to the extent that they do not match liabilities in those currencies. The impact of currency risk is minimised by frequent repatriation of excess foreign currency funds to Sterling. The Group does not hedge foreign currency cash flows using a hedged item but does use asset liability matching to mitigate currency risk.

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

The Group also holds assets, on behalf of policyholders, which are exposed to currency movements. Any change in the value of these assets is offset by a corresponding change in the value of investment contract liabilities.

The following table details the impact to the Group if pounds sterling were to appreciate or depreciate against US dollar and Euro by 20%:

	2022		2021	
	Profit before tax	Shareholder equity	Profit before tax	Shareholder equity
Appreciation of GBP by 20%	–	(£7.1m)	(£54.8m)	(£62.7m)
Depreciation of GBP by 20%	(£5.2m)	£2.0m	£0.7m	£8.6m

Liquidity Risk

Liquidity risk is the risk that the Group, though solvent, does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost. The Group's principal exposure to liquidity risk arises in relation to the sale of illiquid assets required to meet liabilities in the event of the death of a policyholder. The Group may be obliged to purchase illiquid assets from a unit linked fund in order to provide cash benefits to a policyholder's estate. With the exception of certain pension business, the Group has reserved the right to defer payment of death benefits from closed funds until there is sufficient liquidity in the fund to allow for an orderly realisation of cash.

The Group is required to pay certain taxes and levies to the Revenue Commissioners in Ireland and the Italian Agency of Revenue on behalf of policyholders; the latter arises primarily from the Italian withholding tax asset detailed in note 17. Where policyholder investments are held in property structures with insufficient liquidity then the Group may be required to meet these various tax obligations out of its own resources with the Group acquiring investment units in exchange or until such time as there is sufficient cash available from the related policyholder investments to refund the Group. The Group manages liquidity risk through ensuring a minimum percentage of assets are liquid at any time as monitored by the Investment Committees, and through the preparation of cash flow forecasts on a monthly basis in order to ensure sufficient assets are in place to meet existing and future obligations.

Maturity Analysis

31 December 2022	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Financial investments	58,496,326	476,963	536,211	567,124	56,916,028
Cash and cash equivalents	467,783	467,783	–	–	–

31 December 2022	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Investment contract liabilities	54,960,666	–	–	–	54,960,666
Borrowings	400,710	710	–	400,000	–

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

31 December 2021	Total £'000	Within 1 Year £'000	1-5 years £'000	Over 5 years £'000	Policyholder £'000
Investment contract liabilities	59,983,184	–	–	–	59,983,184
Borrowings	404,690	4,690	–	400,000	–

The majority of the Group's insurance contract liabilities are unit linked insurance contracts and these contracts may be surrendered or transferred on demand and therefore have a minimum maturity of 0-1 years. In practice, this is unlikely to happen given that these products are long-term contracts and more specifically, may reflect the settlement terms achieved on the disposal of assets in the terms it offers on the settlement of liabilities backed by those assets.

Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group has established a Credit and Liquidity Policy and has set out its risk appetite to maintain its assets in institutions and instruments with strong credit ratings. Operating businesses have local credit risk policies in place, aligned to the Group risk appetite, and monitor exposure to credit risk on an ongoing basis. Investment guidelines for each subsidiary are subject to approval by the relevant Investment Committee and/or Board, as appropriate.

There are three principal sources of credit risk for the Group:

- Credit risk which results from direct investment activities, including investments in fixed and variable rate income securities, derivatives, collective investment schemes, hedge funds and the placing of cash deposits and credit risk arising through unit linked funds.
- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance, and the lending of securities.
- Credit risk is managed by the monitoring of Group exposures to individual counterparties and by appropriate credit risk diversification. The operating businesses manage the level of credit risk they accept through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives.

Credit risk concentrations

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

The Investment Committee for each operating business is responsible for setting an Investment Policy that formalises risk limits around counterparty exposure and the types of investments that the business can invest in, to prevent undue concentration or credit risk. In the Isle of Man business a minimum of five deposit takers must be used at any one point in time and no single deposit can exceed £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. In the UK ULPL 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 2022 and 31 December 2021 is the carrying amount of the financial assets detailed in the shareholder backed assets credit rating table below.

31 Risk management continued

Shareholder Backed Assets

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

2022 £'000	AAA	AA	A	BBB	BB	B	Non-Rated	Total
Cash and cash equivalents	–	240,300	158,360	61,596	–	–	7,527	467,783
Deposits	–	8,160	103,996	1,780	–	–	–	113,936
Other receivables	201	2,251	28,346	11,043	–	–	292,331	334,172
Withholding tax asset	–	–	–	108,932	–	–	–	108,932
Other investments:								
Debt securities – at fair value through profit and loss	188,529	569,668	243,469	190,594	–	–	868	1,193,128
Debt securities – at fair value through other comprehensive income	84,033	44,366	19,439	7,128	–	–	–	154,966
Debt securities at amortised cost	1,275	6,304	1,403	–	–	–	–	8,982
Total	274,038	871,049	555,013	381,073	–	–	300,726	2,381,899

2021 £'000	AAA	AA	A	BBB	BB	B	Non-Rated	Total
Cash and cash equivalents	–	2,334	248,241	22,160	2,114	–	177,337	452,186
Deposits	–	–	26,148	13,018	–	–	–	39,166
Other receivables	220	3,918	28,821	10,835	–	–	270,683	314,477
Withholding tax asset	–	–	–	108,899	–	–	–	108,899
Other investments:								
Debt securities – at fair value through profit and loss	191,230	741,031	335,678	245,059	–	–	4,127	1,517,125
Debt securities – at fair value through other comprehensive income	144,199	45,248	42,488	22,401	–	–	8	254,344
Debt securities at amortised cost	1,803	6,150	1,344	–	–	–	–	9,297
Total	337,452	798,681	682,720	422,372	2,114	–	452,155	2,695,494

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 advisors. Notwithstanding the use of both internal and external taxation advice, tax authorities could take a contrasting view on the interpretation of certain aspects of tax law to that of the Group and its advisors. If the costs associated with the resolution of tax matters are greater than anticipated, it could negatively impact the financial position of the Group

Business and Other risks

Acquisition and Integration Risk

These are the risks that the Group is exposed to through execution of its business strategy, in its chosen markets. The particular business risks faced by the Group at this time surround the dual challenges of managing the existing business whilst seeking to execute transactions to acquire, integrate and manage new acquired life funds. As part of the strategy to grow through acquisition, the Group is exposed to the risk that it does not complete effective due diligence and is then exposed to the financial risks in completing the transaction and managing the business. All acquisitions are subject to detailed due diligence supported by independent professional subject matter experts and are then subject to scrutiny and approved by the Board. In addition, the Group is exposed to the risk of failing to integrate and successfully restructure the businesses it has acquired.

Distribution Risk

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

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 increase energy consumption and impact 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 crystallise 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.

32 Fair value Disclosures

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

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

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

Investments are transferred from level 1 to level 2 and vice versa when dealing/pricing frequencies change. Transfers into level 3 occur when an equity or collective investment scheme is suspended or enters liquidation, as notified by its fund administrator or investment manager. Transfers out of level 3 occur when such suspension is lifted, as notified by the fund administrator or investment manager.

A proportion of the assets are valued at a fair value derived using unobservable level 3 inputs. The majority of these are valued using valuations obtained from external parties which are reviewed internally to ensure they are appropriate. The Group has limited access to the key assumptions and data underlying these valuations and most of these investments are in hedge funds, collective investment schemes, suspended funds or funds in liquidation. The level 3 assets shown below are primarily unit linked assets backing policyholder liabilities, and as such there is minimal exposure of the Group to changes in the valuation of these assets.

32 Fair value disclosures continued

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	**56,916,028**	**41,549,464**	**12,897,383**	**2,469,181**
– Debt securities – fair value through profit and loss	**1,193,128**	**793,814**	**399,314**	**–**
– Debt securities – fair value through other comprehensive income	**154,966**	**154,966**	**–**	**–**
– Other assets at fair value	**388,391**	**274,552**	**109,588**	**4,251**
	58,652,513	**42,772,796**	**13,406,285**	**2,473,432**
Total assets not at fair value	**2,907,523**			
Total assets per Statement of Financial Position	**61,560,036**			
Investment contract liabilities	**54,960,666**	**–**	**52,491,485**	**2,469,181**

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

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 2021	272,999
Additions on acquisition of subsidiaries	1,546,568
Transfers into level 3	51,078
Transfers out of level 3	(41,191)
Total losses	(14,006)
Disposals	(5,134)
Foreign exchange movements	(14,404)
Balance at 31 December 2021	1,795,910
Additions on acquisition of subsidiaries	–
Transfers into Level 3	798,003
Transfers out of Level 3	(37,521)
Total losses	(70,722)
Disposals	(21,903)
Foreign exchange movements	9,665
Balance at 31 December 2022	**2,473,432**

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.

99.8% (2021: 99.7%) of the Group's level 3 financial assets are held to back unit linked business. As such, movements in the fair value of those assets will typically be offset by corresponding movements in investment contract liabilities with no impact to the profit or equity of the Group. The "other assets 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 £425k (2021: £455k). A decrease of 10% in the net asset value would have an equal but opposite impact on the fair value.

33 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 UIIOM the corresponding ratios are 125% at all times and 150% immediately after the payment of a dividend. The Group monitors capital on a Solvency II basis, and in accordance with local regulatory requirements. The Group as a whole is subject to full group regulation by the Prudential Regulation Authority. The Group has maintained its capital requirements through the year.

Entities within the Group which are regulated as at 31 December 2022 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 Bermudian 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.

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

34 Immediate Parent and Ultimate Controlling Party

The immediate parent company is Utmost Holdings (Guernsey) Limited, a company incorporated in Guernsey.

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

35 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
2022	**2,471**	**220**	**2,691**
2021	2,266	200	2,466

The highest paid director received £1,278k (2021: £1,213k).

Transactions with Related Parties

The Group has holdings in the European Senior Loan Fund of a related party Oaktree as detailed in note 16. As detailed in the Corporate Governance Report, the controlling party of the Group is owned by a number of funds managed by Oaktree Capital Group LLC.

36 Directors' and Secretary's interests

At 31 December 2022 and 31 December 2021 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 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**

31 December 2021	Paul Thompson	Ian Maidens
Utmost Topco Limited – C ordinary shares of £1 each	2,530	2,530
Utmost Topco Limited – D ordinary shares of £1 each	5,000	5,000
Utmost Topco Limited – Non-voting S ordinary shares of £1 each	50	50
Utmost Topco Limited – Non-voting GBP preference shares of £1 each	30,177,615	30,177,615

37 Reconciliation of Liabilities Arising from Financing Activities

	Borrowings £'000
2022	
As at 1 January	**404,690**
Cash flows:	
Change in interest accrual	**(3,980)**
As at 31 December	**400,710**
2021	
As at 1 January	302,564
Cash flows:	
Borrowings drawn down in the year	400,000
Repayments made in the year	(300,000)
Change in interest accrual	2,126
As at 31 December	404,690

38 Events After the Year End Date

The UK Government has confirmed its commitment to legislate for the GloBE 15% minimum tax effective 1 January 2024. The Group continues to monitor how GloBE will be implemented across its regions, as the tax has the potential to increase the corporate tax payable in some of our regions, hence decrease Group profits after tax.

On 9 March 2023 the Company paid a £40,000k dividend to its immediate parent company Utmost Holdings (Guernsey) Limited.

On the 31 January 2023, Utmost International Isle of Man Limited, a member of the Group, purchased the freehold title in King Edward Bay House through the acquisition of Douglas Bay Property Company Limited.

Company Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	2022 £'000	Restated* 2021 £'000
Investment income			
Dividends received	4	**252,000**	55,356
		252,000	55,356
Expenses			
Administrative expenses		**(1,206)**	(2,699)
Interest expense		**(16,000)**	(17,488)
Interest income		**362**	–
Profit for the year before tax		**235,156**	35,169
Tax credit	6	**3,200**	2,785
Profit for the year after interest and tax		**238,356**	37,954

* See note 1.1 for details of the restatement of comparative information

Income and expenses for the year derive wholly from continuing operations. The notes on pages 135 to 136 form an integral part of these financial statements.

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 90 to 130.

Company Statement of Financial Position

As at 31 December 2022

	Note	2022 £'000	Restated* 2021 £'000
Assets			
Investment in subsidiaries	3	1,943,625	1,943,625
Cash and cash equivalents		1,356	12,282
Other assets		1,955	2,785
Receivable from a subsidiary		4,500	–
Deposits		26,262	–
Total assets		1,977,698	1,958,692
Liabilities			
Creditors and other payables		813	–
Tier 2 loan notes	5	400,710	404,690
Total liabilities		401,523	404,690
Equity			
Called up share capital presented as equity	7	392,500	392,500
Merger relief reserve	7	155,910	155,910
Retained earnings		730,165	1,005,592
Restricted Tier 1 Notes		297,600	–
Total equity		1,576,175	1,554,002
Total equity and liabilities		1,977,698	1,958,692

* See note 1.1 for details of the restatement of comparative information

The financial statements on pages 131 to 136 were approved and authorised for issue by the Board of Directors on 20 April 2023 and signed on its behalf by:

Paul Thompson
Director
20 April 2023

Ian Maidens
Director
20 April 2023

The notes on pages 135 to 136 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Called up share capital presented as equity £'000	Restricted Tier 1 notes £'000	Merger relief reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2021	100,000	–	155,910	942,514	1,198,424
Change in accounting policy	–	–	–	69,124	69,124
Balance at 1 January 2021 Restated*	100,000	–	155,910	1,011,638	1,267,548
Profit for the year after interest and tax	–	–	–	37,954	37,954
Issue of share capital	292,500	–	–	–	292,500
Dividends paid	–	–	–	(44,000)	(44,000)
Balance as at 31 December 2021 Restated*	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	–	297,600	–	–	297,600
Restricted Tier 1 notes interest net of tax relief	–	–	–	(13,783)	(13,783)
Balance as at 31 December 2022	**392,500**	**297,600**	**155,910**	**730,165**	**1,576,175**

* See note 1.1 for details of the restatement of comparative information

The notes on pages 135 to 136 form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Net cash flows from operating activities	8	**253,558**	53,144
Cash flows from investing activities			
Share capital purchased in subsidiary	3	–	(409,000)
Interest income		**100**	–
Investment in deposit accounts		**(26,000)**	–
Net cash used in investing activities		**(25,900)**	(409,000)
Cash flows from financing activities			
Restricted Tier 1 loan notes issued		**297,600**	–
Tier 2 loan notes issued		–	400,000
Tier 2 loan notes repurchased		–	(300,000)
Share capital issued		–	292,500
Interest paid		**(36,184)**	(15,362)
Dividends paid		**(500,000)**	(44,000)
Net cash flows from financing activities		**(238,584)**	333,138
Net (decrease) in cash and cash equivalents		**(10,926)**	(22,718)
Cash and cash equivalents at the beginning of the year		**12,282**	35,000
Cash and cash equivalents at the end of the year		**1,356**	12,282

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 Significant Accounting Policies

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 90 to 130. The notes identified on pages 135 to 136 are an integral part of these separate financial statements.

1.1 Restatement of Comparative Information

The comparative information for the year ended 31 December 2021 has been restated to change the accounting policy for the valuation of investment in subsidiaries from fair value to cost less impairment. This is a voluntary accounting policy change and is made to provide more relevant information on the underlying performance of the Company in the year as it now excludes unrealised gains on the investments in subsidiaries of the Company, this increases comparability between other insurance groups. On the Statement of Financial Position this has resulted in a decrease to "Investment in subsidiaries" and a corresponding decrease to "Retained earnings". In the Statement of Comprehensive Income this has resulted in a decrease in the "Fair value movement in investment in subsidiaries".

Balance sheet (extract)	31 December 2021 (£'000)	Decrease	31 December 2021 restated (£'000)
Investment in subsidiary	2,091,598	(147,973)	1,943,625
Retained earnings	1,153,566	(147,973)	1,005,592

Balance sheet (extract)	1 January 2021 (£'000)	Increase	1 January 2021 restated (£'000)
Opening retained earnings	942,514	69,124	1,011,638

Income statement (extract)	31 December 2021 (£'000)	Decrease	31 December 2021 restated (£'000)
Fair value movement in investment in subsidiaries	217,097	(217,097)	–

2 Critical accounting estimates and judgements

Critical Accounting Estimates

Investment in subsidiary undertakings

For the year-ended 31 December 2022, a voluntary accounting policy change has been made to the valuation of investment in subsidiaries. Subsidiaries are now valued at cost less impairment rather than fair value. Therefore, the valuation of investment in subsidiaries is no longer a critical accounting estimate for the year-ended 31 December 2022. See 1.1 for detail on the prior period impact of the policy change.

3 Investment in subsidiaries

Cost	2022 £'000	Restated* 2021 £'000
At 1 January	**1,943,625**	1,534,625
Acquisitions and capital contributions during the year	**–**	409,000
At 31 December	**1,943,625**	1,943,625

* See note 1.1 for details of the restatement of comparative information

There has been a voluntary accounting policy change in the valuation of investments in subsidiaries in 2022. The change is from a fair value approach to cost less impairment. The 2021 comparative has been restated. See note 1.1 of the consolidated accounts for more detail.

4 Dividends received

During the year the Company received dividends of £252,000k from its subsidiaries (2021: £55,356k).

5 Tier 2 loan notes

	2022 £'000	2021 £'000
Tier 2 loan notes principal	**400,000**	400,000
Tier 2 loan notes accrued interest	**710**	4,690
	400,710	404,690
Payable within one year	**710**	4,690
Payable after more than one year	**400,000**	400,000
	400,710	404,690

On 9 November 2020 Utmost Group plc issued £300,000k of Tier 2 loan notes, listed on The International Stock Exchange, to its immediate parent company Utmost Holdings (Guernsey) Limited. The Group used the proceeds of this issuance to repay the existing debt facilities between UIG Holdings (No 1) Ltd and Utmost UK Group Holdings Limited with Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 6% with interest repayments in May and November.

On 15 September 2021 Utmost Group plc issued £400,000k of Tier 2 loan notes maturing in December 2031, listed on the Global Exchange Market. The Group used £300,000k of the proceeds of this issuance to repurchase the existing Tier 2 loan notes from its immediate parent company Utmost Holdings (Guernsey) Limited. The interest rate on the Tier 2 loan notes is 4% with interest repayments in June and December. The fair value of the Tier 2 loan notes as at 31 December 2022 is £299,988k.

6 Taxation

	2022 £'000	Restated* 2021 £'000
Current tax credit	**3,200**	2,786

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	Restated* 2021 £'000
Profit on ordinary activities before taxation	**235,156**	35,169
Tax at the UK rate of 19% (2021: 19%)	**(44,680)**	(6,682)
Non-taxable income	**47,880**	10,518
Losses surrendered to other group companies for no payment	**–**	(1,050)
Tax credit for the financial year	**3,200**	2,786

* See note 1.1 for details of the restatement of comparative information

In June 2021 the Government increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023. This increase in the tax rate has had no impact on the Company's tax credit during the period as the Company had no deferred tax assets or liabilities as at 31 December 2022.

7 Equity

The share capital of the Company is the same as that of the Group in note 28 in the notes to the consolidated financial statements. The merger relief reserve arose as the difference between the nominal value of shares issued and the fair value acquired from the acquisition of related parties as part of the group reorganisation in 2020.

Restricted Tier 1 Loan Notes

	2022 £'000	2021 £'000
Restricted Tier 1 notes issuance	297,600	–
	297,600	–

In January 2022, UGP undertook an issuance of £300m of 6.125% perpetual RT1 notes with a first call date of 15 December 2028. The net proceeds of the RT1 issuance were £297.6m. 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 UGP. Interest repayments are in June and December and are debited to retained earnings.
The interest payments for 2022 (net of tax relief) are £13,783k.

8 Cash flow statement

	2022 £'000	Restated* 2021 £'000
Profit before taxation	235,156	35,169
Non-cash movements		
Finance costs	16,000	17,488
Interest income	(361)	–
Change in working capital		
Change in other working capital items	2,763	487
Net cash flows generated from operating activities	253,558	53,144

* See note 1.1 for details of the restatement of comparative information

9 Risk management

Risk management in the context of the Group is considered in the Group consolidated financial statements, note 31. The business of the Company is managing its investments in subsidiaries. Its risks are considered to be the same as those in the operations themselves, and full details of the major risks and the Group's approach to managing these are given in the Group consolidated financial statements. In 2022, the Company held deposits of £26,262k (2021: 0). 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 35 and 36 in the notes to the consolidated financial statements.

Transactions with related parties

Transactions between the Company and related parties are detailed in note 35 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 38 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 2022), 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

The Group's definition of AUA includes assets administered by the Group on behalf of clients. AUA provides a measure of the scale of the Group, and a sense of the Group's potential earnings capability through the annual management charges ("AMCs") which are partly calculated as a percentage of the value of assets under administration. The Group's AUA primarily includes assets held to cover linked liabilities, in addition to reinsurance assets held to back policyholder liabilities; the former includes assets held under the Modified Coinsurance Account (as detailed in note 15 to the financial statements), and the latter includes assets backing with-profits business in UPE and UL which are fully reinsured with Aviva Life and Pensions UK Limited. A reconciliation of the Group's AUA metric to the consolidated IFRS Statement of Financial Position is as follows:

	2022 £m	2021 £m
AUA	58,395	63,669
Financial assets at fair value held to cover linked liabilities	56,916	61,670
Reinsurers' share of insurance contract liabilities	976	1,188
Other investments	503	511
Total (as per Statement of Financial Position)	58,395	63,699

The Group's AUA at full year 2022 has fallen from the full year 2021 figure as a result of adverse market movements in the period offset by positive net flows into the Group's unit linked products. The Group's AUA is largely attributable to customers of unit linked products (approximately 97% of the AUA represent assets backing unit linked liabilities) and accordingly the investment loss in the period is matched by a decrease in the unit linked liability.

Operating profit

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

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

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

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

Non-recurring items:
Non-recurring items relate to provisions or assumption changes which are not expected to recur in future periods, and as such are excluded from operating profit to provide a more reflective view of quality of earnings. The non-recurring items in the table below relate to costs incurred in the integration of Quilter International (£16m) and the impairment of acquired value of in-force business on the acquisition of Athlumney Kappa (Ireland) DAC (£8m).

A reconciliation between the Group's operating profit and IFRS PBIT for 2022 and 2021 is shown below:

	2022 £m	2021 £m
IFRS PBITs	37	406
Gain on bargain purchase	–	(310)
Amortisation of AVIF and depreciation	163	65
Non-recurring items	24	(29)
Group Operating Profit	224	132

FINANCIAL STATEMENTS

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 2022 is £1,770m (2021: £2,175m).

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 Group revised the calculation of its Client Retention KPI in 2022.

The previous calculation measured only voluntary exits i.e., where a policyholder made an active decision to surrender their policy. It was calculated as: 1 – (Voluntary Policy Exits in the Period)/(Total Policies at the Start of the Period)

The revised KPI measures all exits, both voluntary and involuntary. As a consequence, it will produce a figure that is lower than the old measure. The revised 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

Company (the)
Utmost Group plc

DAC
Designated Activity Company (Irish entities)

ESG
Environmental, Social and Governance

FCA
Financial Conduct Authority

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

HNWI
High-Net Worth Individual – someone with a net worth of over US$1m excluding their primary residence

Holdcos
The indirect holding companies of the Group operating entities

IDR
Issuer Default Rating

IoM
Isle of Man

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

OSC
Online Service Centre

Other Methods basis
A reporting submission in accordance with specific information requested by a regulator

Own Funds
Own Funds represents the amount of capital available to cover the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") under Solvency II

PRA
Prudential Regulation Authority

SCR
Solvency Capital Requirement

SII
Solvency II

SII EV
Solvency II Economic Value

Standard Formula
Solvency II Standard Formula for calculation of the SII Balance Sheet

Subsidiary board
Board of directors of the operating businesses

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

UIGH1
UIG Holdings (No 1) Limited

UIGH
Utmost International Group Holdings Limited

UL
Utmost Limited

ULPL
Utmost Life and Pensions

ULPH
Utmost Life and Pensions Holdings Limited

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

COMPANY INFORMATION

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Ian Maidens
Christopher Boehringer
Katherine Ralph
Gavin Palmer
James Fraser

Secretary
Larysa Dlaboha

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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 2022 Annual Report and Accounts is or should be construed as a profit forecast or estimate.

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