# Utmost Life and Pensions Limited

# ANNUAL REPORT
# AND
# FINANCIAL STATEMENTS

# 2023

# Contents

# Corporate Information

## Directors

| | |
|---|---|
| Chairman | Michael J Merrick |
| Chief Executive | Stephen Shone |
| Chief Actuary | Robert A Kerry, (appointed 1 January 2024) |
| Independent Non-Executive Directors | Duncan A Finch<br>Lord Daniel W Finkelstein<br>Feilim Mackle<br>David M Baker (Appointed 6 October 2023) |
| Group Non-Executive Directors | A Paul Thompson<br>Ian G Maidens |
| Secretary | C Mark Utting |

## Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London
SE1 2RT

Mazars LLP will be appointed as the Company's auditor with effect from the financial year ending 31 December 2024

## Registered Address

Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

Registered in England No: 10559664

# Strategic Report

The Directors present the strategic report of Utmost Life and Pensions Limited ("ULP", "the Company") for the year ended 31 December 2023. The Directors have prepared the Financial Statements in accordance with the UK financial reporting framework, FRS 102 and FRS 103.

## Executive summary

"The business has delivered a solid performance in 2023 and we celebrated a number of key achievements. We have continued to focus on our customers, consistently meeting service levels and quality measures whilst also receiving positive employee engagement results. As we move through 2024, we are excited about delivering our Bulk Purchase Annuity (BPA) proposition to market.

The external environment remains challenging. Geo-political tensions with the war in Ukraine and conflict in Israel/Gaza means that there will continue to be a volatile backdrop. However, from a UK perspective, it appears that both inflation and interest rates are reducing from their peaks.

Our proposition and strategy is clear. We will continue to look for and evaluate further acquisition opportunities to grow in line with our strategy, develop our BPA proposition whilst maintaining our cost efficient operations for our existing customers and delivering for our shareholders."

Key highlights for 2023 include the following:

- Maintaining a strong solvency capital position throughout 2023, beginning the year with a solvency coverage ratio of 227%, and ending it with a solvency coverage ratio of 216%, having also paid dividends of £60m to Utmost Group.
- Delivering for our customers on a day-to-day basis, meeting all of our monthly service standards and implementing change to accommodate new Consumer Duty regulations.
- Strong positive investment returns for customers on our core unit-linked funds. The Multi-Asset Moderate fund returned 9.5% in the year and the Multi-Asset Cautious fund returned 6.3%.
- Building our levels of new business to existing customers through our Drawdown and Pensions Consolidation propositions
- Continued enhancement of MyUtmost, our online service for former Equitable customers.
- Creating our Bulk Purchase Annuity ("BPA") proposition. The Board agreed proposals in March 2023 and the foundations have been developed during 2023. We are continue to build out our internal teams and work closely with strategic third-party suppliers to develop a robust proposition to market.
- Continuing to develop and deliver on our sustainability strategy. During 2023, this has included moves to procure renewable energy in our office and working towards our responsible investing targets, including publishing of the Group's first Pathway to Net Zero report, giving progress against our 2050 net zero targets for shareholder assets.

Overall, we remain in a strong and resilient position, able to meet our capital requirements and, with the backing of the wider Utmost group, are ready for future opportunities to grow in line with our strategy.

Further detail regarding the activities of 2023 are included below.

# Strategic Report continued

## Our purpose and strategy

Our purpose is to help customers achieve future peace of mind, retaining customers and supporting their needs, now and in the future.

We provide a safe home for existing customers and policies, due to our strong capital position and efficient operational management. Built upon the combined strengths of trusted sector expertise, secure financial foundations and commitment to customer focus, we are here to help each of our customers achieve future peace of mind with their life and pension policies.

Our strategic aims and objectives are centred around four core strategic pillars:

- Providing good customer outcomes
- Operating efficiently
- Creating an enduring business
- Delivering growth through acquisition and BPAs.

Provision of good customer outcomes and operating effectively are fundamental in delivering for our customers and shareholders. Within this, we aim to generate positive investment returns for customers whilst delivering high-quality, consistent and reliable customer services and seeking continuous improvement to operate in an efficient manner.

Creating an enduring business is achieved by maintaining financial and operational resilience, creating a rewarding environment for our people to maximise their potential and contributing to a lasting positive impact on the environment and broader community.

The aim for future growth remains a core part of our strategy. Having acquired the business of Reliance Mutual Insurance Society in 2018 and Equitable Life Assurance Society in January 2020, in conjunction with our ultimate UK holding company (Utmost Group Plc), we will continue to look for and evaluate further acquisition opportunities. In addition, we have introduced a new strategic objective to capture our drive for growth through our BPA proposition.

## Our business model

Through our experience and expertise and based on our future growth plans, we will be able to achieve economies of scale, pool risk and maintain capital strength due to our experience and expertise, so we can continue to provide easily accessible solutions to customers whilst also creating value for our stakeholders.

We believe that, with our solid financial base and the support of Utmost Group, we are in a unique position to grow the business in line with our plans.

## Our BPA plans

The BPA market in the UK is growing rapidly owing to the drive for defined benefit pension schemes to seek de-risking opportunities and as a result of improved funding positions from higher interest rates.

ULP is in a strong position to enter this market given our existing insurance capabilities, experience of administering pension annuities for customers and access to capital through Utmost Group Plc and their shareholders.

During 2023, we have laid the foundations for delivering our BPA proposition. In particular, we have:

- Recruited key individuals to shape our core team;
- Developed our propositions for administration and pricing;
- Maintained engagement with regulators;
- Continued to build relationships with Employee Benefit Consultants.

Our plan is to have completed our first transactions during 2024. We see this as a key objective, helping to provide a service to the rapidly growing market as well as helping Utmost to deliver on its growth strategy.

# Strategic Report continued

## Review of the Business

Throughout 2023, we have actively executed our strategy, primarily through a combination of continuing to deliver for our existing customers and through development of our BPA proposition. Highlights below are set out by reference to our key stakeholders.

## KEY STAKEHOLDERS

### Our Customers

In line with our strategy, providing good customer outcomes is at the forefront of our business model. We provide a safe home for customers and policies, due to our strong capital position and efficient operational management. We help customers achieve future peace of mind, retaining customers and supporting their needs, now and in the future.

*Consumer Duty*

New rules required by the Financial Conduct Authority, known as Consumer Duty, came into force on 31 July 2023 setting a higher standard of consumer protection in financial services.

The Duty aims to provide customers with:

- the support they need, when they need it;
- communications that are understandable;
- products and services that meet customers' needs and offer fair value.

At Utmost, these are all areas that we believe strongly in and have been working towards for many years through our drive for continuous improvement. As part of the new rules, we have completed reviews of our open products and are continuing to work through all of our closed products in line with the deadline of July 2024.

We are actively reviewing customer communications as part of the assessment process as well as in our day-to-day work. This has included testing out highest volume communications, and making a number of changes to our communications to make them clearer and easier to read.

Our staff take pride in being able to provide a good customer service through:

- our helpful and accessible contact centre and customer teams;
- provision of timely and clear information that customers can understand, helping them make good financial decisions;
- making sure that products and services continue to provide fair value;
- offering products and services that are appropriate for our customers, demonstrated through launch of our drawdown product in 2020 and providing the option for pension consolidation since 2022.

*MyUtmost*

MyUtmost, our online portal for former Equitable customers, was successfully deployed in 2022 enabling customers to perform a wide variety of tasks, including:

- viewing policy values and policy details;
- sending and receiving secure messages;
- viewing annual statements and other documents;
- reviewing investment details and switching between investment funds;
- updating personal details.

Since launch, over 27,000 customers have registered and, on average, we are seeing in excess of 7,000 customer logins per month, demonstrating how registered customers are continuing to engage with their policies and are making use of the online services that are available to them.

The service allows customers to be able to self-serve at a time that suits them, reducing turnaround times compared to sending requests by post and e-mail. The service has been particularly popular with our customers that live overseas where customers can experience difficulties corresponding by post and e-mail, and where MyUtmost can give them a much improved and more secure customer experience.

## Strategic Report continued

MyUtmost has also provided efficiencies for our customer services teams through various elements of straight-through processing. One of the key areas is our fund switch functionality, enabling customers to switch their unit-linked funds without charge. We believe it is important for customers to regularly review their investments and MyUtmost allows them to do this.

The successful rollout of MyUtmost is also consistent with our Sustainability Strategy, helping to reduce paper usage and the carbon footprint of sending out customer information by post.

*Drawdown and Pensions Consolidation*

Our Flexible Drawdown proposition has been available to existing customers since 2020, enabling customers greater flexibility in when and how they draw on their pension savings. Enabling consolidation of other pension pots into their existing policies also provides former Equitable customers with an alternative option to assist with their retirement planning. For those customers wanting to take advantage of a drawdown policy, this option allows them to consolidate pensions beforehand.

Both options help to deliver on one of our core strategic objectives of retaining customers and supporting their needs, now and in the future.

During 2023, we have seen a steady stream of existing customers consolidating funds with us and setting up drawdown policies. New business in the financial statements includes drawdown products and annuities sold to existing customers on the vesting of their pension savings contracts (including contracts with guaranteed annuity options).

*Investment Performance*

In 2023, we saw positive returns across the vast majority of asset classes, particularly driven by strong returns in November and December.

Global equity markets remained unpredictable through much of the year with the Bank of England raising the base rate five times, from 3.5% to 5.25%. UK stocks remained volatile, but gained in the fourth quarter based on easing inflationary pressures and optimism that interest rates may have peaked.

Correspondingly, through most of 2023, bond prices weakened with concerns that major central banks would keep increasing interest rates in order to bring inflation under control. UK government bonds hit their weakest point since 2008 in August but also rallied in November on the news that inflation was falling and interest rates should start to come down.

To provide context to our investment performance, we often find it helpful to look at various total return market indices. For instance, in 2023 the overall UK government bond market increased in value by 3.7% (measured by the FTSE Gilts index) and sterling corporate bonds increased in value by 8.6% (measured by the Markit IBoxx index). Similarly, US equity increased in value by 18.6% in GBP terms (measured by the S&P 500) and the FTSE All Share (measuring UK equity performance) increased by 7.9% in 2023.

Our unit-linked funds comprise different proportions of equity, bonds and cash. The majority of our funds being managed by JP Morgan Asset Management ("JPMAM").

In line with the underlying markets, the core JPMAM Multi-Asset funds saw strong positive returns for customers during 2023. The Multi-Asset Moderate Fund returned 9.5% in the year and the Multi-Asset Cautious fund returned 6.3%. These returns are net of charges and compare favourably with similar funds as measured by the Association of British Insurers ("ABI"), with both funds performing above the median for their peer group in 2023.

Many former Equitable Life customers continue to be invested in our Investing By Age Strategy. The Investing By Age Strategy means that customers are invested in the JPMAM Multi-Asset Funds or the Money Market Fund depending on their age. All of these customers have seen positive returns in 2023.

Some other customers are invested in a range of unit-linked funds provided by Abrdn. The largest of these is the Managed Fund, which returned 8.1% after charges in 2023, in line with the median for the ABI peer group.

## Strategic Report continued

The non-linked portfolios of ULP (with an average credit rating of A+) continue to be managed with Goldman Sachs Asset Management ("GSAM"). These portfolios are primarily long-term investments on a 'buy and hold' strategy, seeking to provide a high degree of cashflow matching to the underlying liabilities. GSAM continued to work with ULP to provide suitable assets to match against these non-linked liabilities.

Utmost Portfolio Management Limited, a fellow subsidiary of Utmost Group Plc, manages the shareholder assets of the Company. Shareholder assets have performed above benchmark in 2023 with a range of shorter dated fixed interest securities and cash.

### Sustainability Strategy

ULP is committed to making a positive difference, building a brighter future for our customers and better serving all stakeholders. This means we have a responsibility to consider the environmental, social and economic impacts of the actions we take now on our stakeholders – both present and future.

Our Sustainability Strategy is defined along four pillars, which are underpinned by policies and targets, recognising that sustainable business encompasses a range of topics. The four pillars are:

- Stakeholder Outcomes
- People Development
- Environmental Impact
- Responsible Investment.

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

- Improving client outcomes is a core pillar of our strategy and our sustainability objectives. We continue to reinforce a customer-led focus and prioritisation on service quality in both our culture and ways of working. We seek to communicate transparently with our customers, providing good customer service and our proposition is continually assessed to ensure suitable outcomes.

- We strive to contribute to all of the communities in which we operate through local volunteering and fundraising projects, as we recognise the importance of doing so and the value that it adds.

  Matched donations of up to £200 can be provided either to match or top-up personal fundraising efforts on behalf of ULP. Charities supported this year include The Children's Society, Cancer Research, Sobell House Hospice, Young Carers Bucks, Breast Cancer Now, Florence Nightingale Hospice, Aylesbury Vineyard Storehouse, Aylesbury Foodbank, Crohn's and Colitis UK, Macmillan Cancer Support, and MASKS (Make a Special Kid Smile).

  Utmost Group also operates a matching donation scheme, the Utmost Challenge, providing the opportunity for employees across the Group to get extra support for exceptional charitable endeavours.

  We undertake community volunteering initiatives in order to make a positive difference. We have been able to continue to undertake more community activities in 2023, post COVID pandemic, with teams and individuals using paid volunteering days to support local schools, community programmes and charities.

People Development - Our people play a pivotal role in achieving our purpose, so are at the heart of our business. In 2023, we have continued to ensure that we have the necessary skills to operate and develop our business.

- Our 2023 employment engagement survey received a 93% response rate with an average positive score of 85% (2022: 93% response rate, 84% positive score).

## Strategic Report continued

- We remain fully committed to diversity and equality, and are dedicated to empowering people to develop both professionally and personally. We believe in open and fair communication with employees and, during the year, delivered this through a combination of all employee briefings, regular team meetings and regular performance management discussions.

Environmental Impact – ULP has a responsibility to continue to reduce its environmental impact and to protect the environment. We take this responsibility seriously.

- The emissions from our investment portfolio are the largest drivers of our overall carbon footprint. We continue to implement steps to reduce these by working with our strategic investment managers to embed our Responsible Investments policy in selection and monitoring of assets to achieve our targets.

- We are also making active steps to reduce our operational Scope 1 and Scope 2 emissions. As an example, during 2023, we moved to procurement of renewable energy in our offices in Aylesbury.

Further information on this topic is also provided in the Group Task Force on Climate-Related Financial Disclosures ("TCFD") report which can be found on our website.

Responsible Investment - We recognise the importance of our role as a long-term allocator of capital. We consider all three pillars of ESG – environmental, social and governance – in our decision making, alongside traditional frameworks to ensure a complete and full financial analysis. This will enable us to make an orderly transition in alignment of our shareholder investment portfolios with the aims of the Paris Agreement, the international treaty on climate change.

- ULP has committed to reducing the carbon emissions in its shareholder investment portfolio. With UGP we have set a target to halve the carbon emissions in our shareholder investment portfolio by 2030, and to be net zero in our shareholder investment portfolio by 2050, in line with the ABI Climate Change Roadmap.

- We have worked with UGP to publish the Group's first Pathway to Net Zero, which sets out progress against the 2050 net zero targets in the shareholder assets.

- The Pathway to Net Zero is supported by the Group Responsible Investment policy which sets out our approach to Responsible Investment across the investment lifecycle. Incorporating guidance from the UNPRI, the policy demands high sustainability standards of our investment managers and outlines expectations on the integration and ongoing management in our portfolios, with respect to responsible investment. In 2023, we have focused on embedding our responsible investment approach.

Further details on our responsible investment approach can be found in our Responsible Investment policy on our Group website.

### Our Strategic Partners

We utilise the support of a number of strategic partners to deliver our services to our customers. It is important that we establish and maintain strong, robust working relationships with our partners in order to preserve our existing high standard of delivery.

We have an internal third-party framework and conduct regular reviews of all key suppliers.

Regular governance meetings were held throughout the year with each key strategic partner.

During 2023, we have selected new strategic partners to assist us in delivering our BPA proposition to market. These partners are helping us to build our administration capability, our pricing solution and provide the necessary asset and investment management capability.

Following the successful launch of MyUtmost in 2022, we have continued with further development to help support our customers, including a mobile app version of MyUtmost that is being launched in 2024. In addition to development of MyUtmost, we have continued to make improvements to other systems in 2023, in conjunction with our strategic IT partner, Atos.

## Strategic Report continued

### Our Regulators

We are subject to regulation across all the areas in which we operate and we maintain an open and collaborative approach with all our regulators.

### Our Shareholders

We engage with the shareholder through regular dialogue with Utmost Group and the ULP CEO is a member of the Utmost Group Executive Committee.

## FINANCIAL INFORMATION

### Key Performance Indicators

We use a number of financial metrics to help the Board and senior management assess performance against our strategic vision. These metrics are reviewed regularly to ensure that they remain appropriate.

Key Performance Indicators (KPIs) reflect the vision and mission of our Company in respect of profitability, growth and financial strength. The most important indicators are shown in the table below. The KPIs at 31 December were as follows:

| | **2023** | **2022** |
|---|---|---|
| Post tax profit | £25m | £45m |
| Solvency coverage ratio (not audited) | 216% | 227% |
| Dividends* | £60m | £70m |
| Movement in Economic Value before dividends (refer to note 23) | £27m | £15m |

*This relates to Dividends paid to Utmost Life and Pensions Holdings Limited.

The Solvency Coverage Ratio at 31 December 2023 is stated after the payment of a £60m dividend during the year (2022: £70m).

The increase in Economic Value reflects beneficial market movements, in particular strong unit price growth towards the end of the year, and better than expected non-economic assumptions, primarily as a result of improvements to persistency assumptions and mortality basis.

### Key Results and Analysis of Performance

The Profit and Loss Account on pages 27 and 28 reflects a reduction from a post-tax profit of £45.3m in 2022 (restated) to £25.4m in 2023. The key drivers of this net change were an increase in the value of long term business provisions as a result of lower interest rates, partly offset by improvements in the market value of assets. Profit in 2022 also included positive impacts from change in mortality/longevity and persistency assumptions, releasing reserves.

The Statement of Changes in Equity on page 32 reflects a decrease in the shareholders' equity from £194.5m to £159.5m driven by £25.4m post tax profit for the year and other comprehensive expenses of £0.4m, offset by the payment of two interim dividends, totalling £60m. Amounts owed between group entities are presented in Notes 16 and 26.

### Capital Management

Capital is determined and monitored for the Company on the regulatory basis as stipulated in the PRA rulebook. This primarily focuses upon Own Funds and Solvency Capital Requirement ("SCR") of the Company. The SCR was determined on a monthly basis and impact of market volatility is monitored weekly, ensuring that adequate capital requirements are met. The Company's capital and solvency position is reviewed monthly with formal updates discussed on a quarterly basis at the Audit Committee ("AC"). The total available Own Funds for the year end 31 December 2023 were £248.1m (2022: £260.0m). The Company had a SCR of £115.0m at year end 2023 (2022: £114.5m), with an unaudited Solvency Coverage Ratio of 216% (2022: 227%).

## Strategic Report continued

The Company seeks to have a Solvency Capital Ratio (Own Funds/SCR) in excess of 135% at all times, and targets a Solvency Capital Ratio of at least 150% immediately after a payment of a dividend.

### Financial Instruments

The Company has a low appetite for liquidity risk and a medium appetite for market and credit risk driven by investment policy of the assets adopted. The fixed-income assets held are matched to the liabilities by duration and are sterling denominated, investment grade securities. The Asset and Liability Committee ("ALCo") provides oversight to the monitoring, systems and controls required to manage and control the risks, within a risk based capital framework.

### Taxation

As a proprietary life assurance company, the Company was subject to UK corporation tax at two rates during 2023. Firstly, UK corporation tax rate on the profits earned by its shareholders from conducting life assurance business at a rate of 23.5% in 2023 (based on a rate of 19% to 31 March and 25% from 1 April). Secondly, at the 'policyholder rate' (currently 20%) on investment returns (net of expenses) accruing to the benefit of certain categories of customers.

In the Company's non-technical account, the total tax charge in the year was £7.8m (2022: tax charge of £10.7m). The total tax charge of £7.8m consists of a charge of £6.3m (2022: tax charge of £11.7m) on the balance of the long-term business technical account and a £1.5m tax charge (2022: tax credit of £1.0m) on shareholder investment return and charges. The primary driver of the reduced tax charge in 2023 was the lower level of profit by the Company in the long term business (2023: £26.9m, 2022: £61.3m) partially offset by an increase in the Corporation tax rate from 19% to 23.5% and by an improvement in the investment performance of shareholder assets.

### The external environment

We anticipate the following long-term trends facing our industry, resulting in opportunities and challenges:

- Political and macroeconomic: Continued focus on inflation, changes in interest rates and the ongoing risk of recession across many economies;
- Regulation: amendments to the Solvency II regime following the ongoing PRA review post departure from the EU which will be effective for the Company from 31 December 2024;
- The introduction of the Pensions Dashboard, Consumer Duty and enhancements to Operational Resilience;
- Advancements in technology: Including the speed/convenience of services and the ethical use of data; and
- Continued focus on climate change initiatives.

We consider ourselves well-prepared for dealing with such external events.

### RISKS

### Principal Risks and Uncertainties

The Company operates within a dynamic business environment, which is continually influenced by the external environment, including economic, political and industrial, competitive, demographic, health/lifestyle, legal and regulatory factors. By operating within this environment, the Company is exposed to risks. Part of the Company's success is dependent on managing these risks appropriately.

The Company's Enterprise Risk Management ("ERM") Framework provides the framework for the management of these risks and supports attainment of the Company's strategic objectives. The ERM Framework is designed to support the identification of all material risks, including medium and long-term risks. The ERM Framework further sets out the Company's overall strategy towards and appetite for risk, the risk governance and management processes, and the Company's approach to risk classification, monitoring and analysis.

## Strategic Report continued

As part of the ERM Framework mechanisms, risks are quantified and are subject to stress tests and scenario analysis. Non-quantifiable risks are fully covered within the framework and are monitored and managed through the Company's risk reporting and risk governance structures.

The four principal risks to the business are:

| | |
|---|---|
| Market risk | Primarily in the form of equity, interest rate and currency risks |
| Underwriting risk | Primarily in the form of persistency, expense and longevity risks and the take up of guaranteed options |
| Credit risk | Primarily from spread risk on corporate bonds and counterparty default risk on risk mitigating contracts e.g. reinsurance. |
| Operational risk | The Company has identified seven operational risk categories: Financial Crime, Employment Practices, Damage to Physical Assets, Business and system disruption, Client/ Products/ Business practices, Execution/ Delivery/ Process management and Governance risk. |

Market and Underwriting Risks

Looking forwards, equity and persistency risk associated with unit-linked business are significant risks because they can reduce the level of annual management charges ("AMCs") which are the main source of future income for the Company. Persistency risks also reduce the number of policies over which to spread overhead costs.

The last two years have seen inflationary pressures impact much of the economy. For ULP, inflationary impacts are limited to only a small number of inflation linked benefits (primarily funeral plans and inflation linked annuities) and expenses. Inflation risk continues to be managed through asset and liability matching to ensure that appropriate assets are held to match the inflation linked benefits. Whilst inflation has reduced in recent months, we will continue to monitor the impacts of both inflation and recessionary pressures and manage the risks appropriately.

The next largest underwriting risk after persistency is expense risk. As the number of policies reduce, managing expenses is critical to the success of ULP to avoid fixed expenses becoming a larger proportion of total expenses. The longer-term business model relies on ULP bringing in new policies either through BPA or as a result of other acquisitions. In the absence of future additional policies, there is a risk that diseconomies of scale will require additional cost savings to be made, which may result in a subsequent challenge to retain top talent. A key part of the ongoing strategy is to find further opportunities to improve the Company's efficiency and reduce costs in an appropriate and controlled manner.

Credit Risk

The Company is also exposed to spread risk from its corporate bond holdings and defaults from counterparties, such as reinsurers. These are managed through the regular review of assets with investment managers and the monitoring of credit ratings of reinsurers.

Operational Risks

A key operational risk for the Company is Cyber risk. Cyber risk is the risk of financial loss, disruption or reputational damage due to breaches of, or attacks on, ULP's information technology ("IT") systems. The risks from a cyber-attack have continued to increase with attackers becoming increasingly more sophisticated. Any failure of ULP's IT systems could have a significant impact on operations.

## Strategic Report continued

To manage this risk, the Company ensures that staff are made aware of risk areas (e.g. phishing emails) and ensures that systems are regularly kept up to date with security software. The Company also works closely with the Utmost Group Information Security group who provide an additional layer of oversight on information security and cyber risks across the Utmost Group. In 2023, ULP completed an assessment of its Cyber risks and controls based on National Institute of Standards and Technology (NIST) standards. The Company also maintains a set of risk appetite limits to ensure identified vulnerabilities are quickly addressed and a comprehensive monitoring framework has been put in place in 2023 to cover Cyber and information security risks.

In addition, the Company outsources IT services to Atos which has a dedicated security team and a Security Operations Centre. In the event of a cyber-attack the Security Operations Centre, in conjunction with Utmost's Cyber Security Incident Response Team, would manage investigation and resolution of a cyber-attack.

We aim to prevent, adapt, respond to, recover and learn from operational disruptions. The Company seeks to ensure that its processes and procedures are both robust and agile to enable it to incorporate change in a controlled manner and effectively address and minimise disruption should it occur. To do this, the Company is well-advanced in our Operational Resilience programme, which has enabled us to meet key regulatory requirements including; identifying our important business services, mapping processes, identifying vulnerabilities, determining our impact tolerances and working through a programme of testing and addressing any actions identified.

Due to the industry in which the Company operates, ULP is exposed to the risk of changes in regulation which could have an adverse impact on expenses through complying with any significant change. The Company has in place processes to conduct regular horizon scanning to ensure that potential changes can be understood and acted upon in a timely manner.

<u>Climate Change and wider ESG Risks</u>

In addition to the four principal risks above, climate change and wider ESG risks are likely to impact the Company in the coming years. The expectations with regards to the management of climate change risk and wider ESG risks continue to increase year-on-year. We continue to develop our understanding of these risks by working with Utmost Group to develop our risk management framework and scenario analysis.

The Company has integrated climate risk within the Company's risk management. This includes:

- Effective management and oversight from the Board;
- Inclusion of a Climate Risk Framework within our ERM Framework to identify, assess, manage, monitor and report risks associated with climate change and ensure that climate-related factors are considered when assessing the overall risks to the Company;
- Creation of a Group Responsible Investment Policy;
- Assessing the sensitivity of the Company's financial positions to climate transition risk based on results from scenario analysis;
- Being an ongoing signatory of UNPRI.

The Company will continue to monitor closely the significant advisory, legal, and regulatory developments in respect of climate change risk and related disclosures.

<u>Geo-political risks</u>

In 2024, with political pressures likely to increase across the world due to the Middle-East conflict, the continuing Russia-Ukraine war and UK/US elections on the horizon, geo-political risks look likely to remain high.

Geo-political risks can have significant impacts on the global economy, particularly through the impact of material fluctuations in commodity prices and disruption to supply chains, which we have seen from events of the last two years.

## Strategic Report continued

Given our exposure to equity markets for our future income, any fall in the value of equity markets from geo-political events will reduce the value of AMCs. We will continue to monitor and manage our exposure to these risks to ensure we remain resilient.

In addition it is recognised that moving into the BPA market will most likely change the risk profile of the Company; some risks will increase whilst others will reduce over time.

The investment strategy associated with BPA business will most likely lead to a wider pool of assets being used by the Company than at present and so credit risk is likely to increase. Taking on more annuity business is also likely to increase the longevity component of underwriting risk. At the same time, as BPA business increases, expense risk is expected to reduce as expenses are spread across a larger number of polices. The assessment of the risks associated with the BPA business is being performed in the line with the Risk Management Framework summarised above.

### Task Force on Climate-Related Financial Disclosures ("TCFD")

Consistent with our strategy to deliver good customer outcomes, we consider that part of this will be dealing with the response to the challenges posed by climate-related risk. This risk is set out above within the Risks section. In the short term, the Company may face reputational damage and could see an increase in policyholder lapse rate if it does not respond suitably to climate-related risks. In the longer term, this will be evidenced through delivery of the commitments set out within our Sustainability Strategy and our Responsible Investment Policy. Our mission is a sign of our commitment to act and invest in a way that supports a sustainable future.

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.

*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 ULP Board regularly received climate related reporting throughout 2023 and ULP identifies climate related risks as a key risk to the strategic aims of the Company, alongside the broader risks associated with sustainability.

The decarbonisation of the global economy as it transitions towards net zero poses a number of risks and opportunities to ULP. ULP is exposed to transition and physical risks, the impacts of which are summarised below:

Transition Risks:
- Policy and Legal – enhanced emissions reporting obligations;
- Market – changing customer behaviour;
- Reputation – increased stakeholder concern or negative stakeholder feedback if not acting swiftly enough or failing to follow published principles.

Physical Risks:
- Acute – increased severity of extreme weather events;
- Chronic - Changes in and extreme variability in weather patterns, including rising mean temperatures and rising sea level.

Resources are prioritised according to any issues which are considered more material.

*Resilience to Climate Change:*
The Company does not have significant direct exposure to physical risks. Whilst it also does not have significant exposure to investment risk as the business is predominantly unit-linked with limited guarantees, the Company will be impacted by a reduction in charges should the underlying policyholder investments reduce in value.

# Strategic Report continued

## Section 172(1) statement and our stakeholders

We report here on how our Directors have performed their duty under section 172 (s172) of the Companies Act 2006. S172 sets out a series of matters to which the Directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard for its other stakeholders. Where this statement draws upon information included in other sections of the Strategic Report, this is signposted accordingly.

### *Strategic decisions made in 2023*

For each matter which comes before the Board, the Board considers the likely consequences of any decision in the long-term and identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process.

During 2023, decisions have been made in line with achieving our strategic aims and objectives as set out earlier in the strategic report. This includes our strategic decisions to support a move into the BPA market, including an initial budget commitment and the decision to change auditors for the 2024 year-end.

Key financial decisions made during the year included the declaration and payment of two dividends, totalling £60m, after careful consideration of all the consequences for other stakeholders, including customers. A more detailed account of our financial performance is included in the 'Key Performance Indicators', 'Review of the Business' and 'Capital Management' sections of this report.

### *Stakeholder engagement*

The table below sets out our approach to stakeholder engagement during the year.

| Stakeholder | How we engaged them |
|---|---|
| Customers | - The Board regularly receives and monitors customer-related reporting and details of any initiatives.<br>- The Board engages frequently with senior leadership to understand and follow up on our investment performance.<br>- The Board oversees any material IT platform developments which allow us to better support our customers.<br>- Examples of areas of Board focus in 2023 include engagement on compliance with Consumer Duty regulations and monitoring of work in relation to retention of customers.<br><br>More details of these and other areas of focus are included in the 'Stakeholders – Customers' section of this report. |
| People | - The Board engages with our people through regular informal meetings and internal communications on a wide range of topics.<br>- ULP carry out regular employee surveys and act on findings.<br>- Together with our ultimate UK parent company, we provide volunteering opportunities.<br>- This year, a focus for the Board included the impact of the cost of living on staff and included decisions on 2023 pay awards. |
| Strategic Partners | - Members of the Board maintain oversight of the management of our main Strategic Partners, and our senior management regularly review and report on performance.<br>- More details of this are included in the 'Stakeholders – Strategic Partners' section of this report. |
| Communities | - ULP is engaged in becoming resilient against climate change, and to promote a working environment which support this, through the Sustainability Strategy. In 2023, we were able to undertake a number of volunteering activities within the Community. More details of this are included in the 'Stakeholders – Communities and Environment' section of this report. |
| Regulators | - The Board maintains an open and engaging relationship with our regulators.<br>- The directors meet regularly with them, and 2023 included discussions around our future plans. More details are included in the 'Stakeholders – Regulators' section of this report. |
| Shareholders | - The Board engages regularly with its shareholder, and is consistently focused on generating a successful outcome for this stakeholder.<br>- The Board makes key financial decisions in relation to payment of dividends. |

## Strategic Report continued

Overall, the Board considers that it has given due regard to stakeholders' needs when performing its duty under section 172 of the Companies Act 2006.

### Looking ahead

The business has delivered a solid performance in 2023 and we celebrated a number of key achievements. We have continued to focus on our customers, consistently meeting service levels and quality measures whilst also receiving strong employee engagement results. We have also maintained a strong and resilient Balance Sheet, whilst also delivering £60m of dividends to our shareholder.

As we look ahead through 2024 and beyond, we are in a strong position to deliver on our strategic aims.

Our proposition and strategy is clear. We will continue to develop our BPA proposition, seek further acquisitions and continue to maintain our cost efficient operations for our existing customers whilst continuing to deliver for our shareholders.

S. Shone

Stephen Shone
Chief Executive
5 April 2024

# Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2023.

## Principal activities

The principal activity of Utmost Life and Pensions Limited is the provision of life and pensions policies by pursuing its strategy of acquiring and consolidating businesses in the United Kingdom.

## Directors

The following Directors and secretary served throughout the year, and up to the date of signing the financial statements, except where otherwise noted:

| | |
|---|---|
| Chairman: | Michael J Merrick |
| Executive Directors: | Stephen Shone, Chief Executive |
| | Jeremy S Deeks, Chief Financial Officer (resigned 31 December 2023)<br>Robert A Kerry, Chief Actuary (appointed 1 January 2024) |
| Independent Non-Executive Directors: | Duncan A Finch<br>Lord Daniel W Finkelstein<br>Feilim Mackle<br>David M Baker (Appointed 6 October 2023) |
| Group Non-Executive Directors | A Paul Thompson<br>Ian G Maidens |
| Company Secretary | C Mark Utting |

## Directors' Interests

As at 31 December 2023, the Directors and Secretary, and their spouses and dependent children, had no direct beneficial interest in the shares of the Company.

## Going Concern

The financial position of the Company is presented in the primary financial statements and disclosure notes on pages 27 to 69. The Directors have made an assessment of the Company's going concern, considering both the Company's current performance and its outlook for a period of at least 12 months from the date of approval of these Financial Statements, using the information available up to the date of issue of the Company's Financial Statements.

The Company manages and monitors its capital and liquidity, and various assessments and stresses are applied to those positions to understand potential impacts of market downturns. These stresses do not give rise to any material uncertainties over the ability of the Company to continue as a going concern. Based upon the available information, the Directors consider that the Company 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 on pages 3 to 15, including 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 Company 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.

# Report of the Directors continued

## Review of the business

Key events during the year include:

- Delivering for our customers on a day to day basis, meeting all monthly service standards and delivering on new Consumer Duty regulations;
- Creating our BPA proposition with the aim of completing our first transactions during 2024.

Further detail on the above is included in the Strategic Report on pages 3 to 15.

## Results and dividend

The result for the year is shown in the Profit and Loss Account and Statement of Comprehensive Income. The Company made a profit before tax of £33.2m, a decrease of £22.8m from 2022 pre-tax profit (restated) of £56.0m. In 2023, interim dividends totalling £60m were paid (2022: £70m).

## Employees

The Company has no employees, and all services are undertaken by employees seconded to the Company from Utmost Life and Pensions Services ("ULPS") under a secondment agreement. ULPS remains the employer during the secondment term. ULPS makes a management charge for secondment services in accordance with the agreement.

## Financial Risk Management

The Company's exposure to financial risk through its financial assets and liabilities is provided in detail in Note 5 of the Financial Statements.

## Liability Insurance

Since 28 February 2021, Directors' and Officers' liability insurance has been held by the Company's ultimate UK parent undertaking, Utmost Group plc, and has covered all subsidiaries in the Group, as permitted by the Companies Act 2006.

## SECR Reporting

Streamlined Energy and Carbon Reporting ("SECR") legislation came into effect in April 2019, requiring all large and/or quoted UK companies to report on their annual energy use and energy efficiencies taken. The Company is exempt from this reporting in its individual financial statements as it is included in the SECR statement included in the consolidated financial statements of its ultimate UK parent, Utmost Group Plc.

## Post Balance Sheet Events

There are no adjusting or non-adjusting post balance sheet events between 31 December 2023 and the approval of the Report and Accounts of the Company which require disclosure.

## Political and Charitable Donations

The Company made no political or charitable donations during 2023 (2022: £nil).

## Pension Schemes

The Company operates a defined contribution pension scheme for the employees of ULPS. In addition, the Company continues to operate the Reliance Pension Scheme, a defined benefit scheme. The scheme closed to future accruals for the majority of members on 30 June 2010, with the last active member ceasing to accrue benefits from 31 December 2015. The Company remains the principal employer of the scheme following the flexible apportionment arrangement on 1 April 2018.

## Independent Auditors

Mazars LLP will be appointed as the Company's auditor with effect from the financial year ending 31 December 2024, replacing the incumbent auditors PricewaterhouseCoopers ("PwC"). The change is due to auditor rotation rules in relation to a direct subsidiary of the Company.

# Report of the Directors continued

## 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 3 to 15. These matters relate to:

- Future developments; and
- Indication of principal risk exposure and management.

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 company and of the profit or loss of the company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

The Directors are responsible for the maintenance and integrity of the Company'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 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 company's auditors are aware of that information.

By order of the Board

C. Mark Utting
Company Secretary
5 April 2024

# Independent auditors' report to the members of Utmost Life and Pensions Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Utmost Life and Pensions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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 and Financial Statements 2023 (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2023; the Profit and Loss Account; the Statement of Comprehensive Income; and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### 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 company 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 9, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

### Our audit approach

#### Overview

Audit scope

- We have performed a full scope audit of the complete financial information of the company in accordance with our materiality and risk assessment.

Key audit matters

- Valuation of technical provisions - Longevity assumptions

- Valuation of technical provisions - Expense assumptions

Materiality

- Overall materiality: £1,969,000 (2022: £2,000,000) based on 1% of Net Assets.
- Performance materiality: £1,476,000 (2022: £1,500,000).

## The scope of our audit

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

## Key audit matters

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

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

The key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Valuation of technical provisions - Longevity assumptions* | |
| Refer to Accounting policy 2(i) subsection (a) Long term business provision and subsection (b) Technical provisions for linked liabilities (insurance contracts only) and note 22 Technical provisions. | We performed the following to test the longevity assumptions (including base mortality assumptions, future mortality improvements and prudential margins):<br>● We understood and tested the governance process in place to determine the longevity assumptions; |
| Longevity assumptions are an area of significant management judgement, due to the inherent uncertainty involved. Whilst the company manages the extent of its exposure to longevity risk through reinsurance, we consider the assumptions underpinning gross technical provisions to be a key audit matter given the company's exposure to annuity business. | ● We validated the appropriateness of the methodology used to perform the annual experience analysis. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and applying our industry knowledge and experience;<br>● We tested the controls in place around the performance of annuitant mortality experience analysis, approval of the proposed assumptions and implementation within actuarial models;<br>● In respect of the Covid-19 pandemic, we have assessed;<br>- management's treatment of the data used for the annuitant mortality experience analysis (including management's decision to include or exclude data from the Covid-19 period);<br>- management's considerations of potential changes in current and future expected rates of annuitant mortality; and<br>- their conclusion not to include any short-term or long-term adjustments to their longevity assumptions in relation to this.<br>● Assessed the disclosure of the annuitant mortality assumptions for 2023 and their sensitivities. |
| The longevity assumption has two main components: | |

| | |
|---|---|
| Base mortality assumption | ● As noted above, we assessed the controls, approval and implementation of base mortality assumptions, and the selection of data used; |
| This part of the assumption is mainly driven by internal experience analyses, but judgement is also required. For example, in determining the most appropriate granularity at which to carry out the analysis; the time window used for historical experience, whether data should be excluded from the analysis; and in selecting the margin for prudence and an appropriate industry mortality table to which management overlays the results of the experience analysis. | ● We reviewed the data period used for the experience analysis, and assessed management's application of judgements in selection of base table and multiplier. |
| Rate of mortality improvements | ● We assessed the appropriateness of the margin for prudence on the base mortality assumption by benchmarking this to peer industry companies; |
| This part of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data. | ● We validated the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the parameterisation and selection of the version of the CMI model including the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages; |
| The Continuous Mortality Investigation Bureau (CMIB) provides mortality projection models which are widely used throughout the industry and contain a standard core set of assumptions including initial rates of improvement, calculated by the CMIB based on the most recent available population data. | ● Compared the annuitant mortality improvement assumptions selected by management against those used by peers using our annual survey of the market; and |
| | ● We validated the margin for prudence applied to the long term mortality improvement rate by comparison to peers in our annual survey of the market |
| | The results of our procedures indicated that the valuation of technical provisions - Longevity assumptions were supported by the evidence we obtained. |
| *Valuation of technical provisions - Expense assumptions* | |
| Refer to Accounting policy 2(i) subsection (a) Long term business provision and subsection (b) Technical provisions for linked liabilities (insurance contracts only) and note 23 Technical provisions. | We performed the following procedures over maintenance expenses: |
| Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities and in addition, the methodology includes an allowance for diseconomies of scale as the business volumes decline. | ● We understood and tested the governance process in place to determine the maintenance expense, expense inflation assumptions and allowance for diseconomies of scale; |
| Management have based their maintenance expense assumptions by considering 2023 costs, shared across 2023 policy counts, then applying inflation (as opposed to considering 2024 costs and policy counts). This is because the 2024 budget costs include anticipated costs related to future new business in the BPA market, which are not relevant in determining the expenses to maintain the existing policies. | ● We tested the methodology used by management to derive the assumptions (including expense inflation) with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience; |
| This includes several areas of judgement including the level of future expenses including the allocation between maintenance/acquisition, the allocation between products, the future policy levels and the margin for prudence. | ● Compared the expense inflation assumption selected by management against those used by peers using our annual survey of the market; |
| | ● We assessed the appropriateness of using the 2023 costs and policy counts, including inflation, to determine the future per policy costs; |
| | ● We tested and challenged the 2023 forecast expenses by obtaining an understanding of management's assumptions for the forecast and assessed the reliability of management's forecasting by comparing the 2023 actuals against the 2023 budget; |

| | |
|---|---|
| | ● We also assessed the appropriateness of the judgements made in the application of the methodology, in particular the allocation of expense categories between acquisition and maintenance costs, the appropriateness of the exclusion of certain one-off costs, and the appropriateness of the projected policy volumes;<br>● We have reviewed and challenged significant judgements and assumptions used, particularly relating to the calculation of the diseconomies of scale reserve; and<br>● Assessed the appropriateness of the margin for prudence benchmarking this to peer industry companies.<br>The results of our procedures indicated that the valuation of technical provisions - Expense assumptions were supported by the evidence we obtained. |

## 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 company, the accounting processes and controls, and the industry in which it operates.

The company is a regulated insurance entity. The investment administration function is outsourced.

Our audit work focused on the testing of transactions and balances to appropriate supporting evidence. We obtained confirmation from the relevant third parties with regards to cash and investment balances.

Apart from controls operated at the company, we also relied on outsourced investment administration service providers. We were able to obtain appropriate evidence through a review of assurance reports on internal control that monitor the procedures carried out by the service providers.

## 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:

| | |
|---|---|
| *Overall company materiality* | £1,969,000 (2022: £2,000,000). |
| *How we determined it* | 1% of Net Assets |
| *Rationale for benchmark applied* | We believe that net assets, which drives the entity'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. The company issues unit-linked policies. As a result, technical provisions - investment contract liabilities are covered by assets held to cover linked liabilities and return on investment contracts derived on the assets is offset by the change in policyholder liabilities under investment contracts. In accordance with the guidance on the audit of insurers issued in the United Kingdom by the Financial Reporting Council we have applied a higher materiality for these balances 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. This materiality is based on 1% of assets held to cover linked liabilities |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,476,000 (2022: £1,500,000) 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £98,000 (2022: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

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

- Obtained the directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessed the impact of severe, but plausible, downside scenarios;
- Reviewed the disclosures included in the financial statements, including the Basis of Preparation.

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 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 company's ability to continue as a going concern.

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

## Reporting on other information

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

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

With respect to the Strategic report and Report of the Directors, 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 Report of the Directors

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

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

## 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### 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 company 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 the valuation of insurance liabilities and intangible assets. Audit procedures performed by the engagement team included:

- Discussions with management and Internal Audit, including consideration of any known or suspected instances of non-compliance with laws and regulation and fraud.
- Reading key correspondence with 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 Committee, Risk and Compliance Committee and Investment Committee.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to technical provisions (see related Key Audit Matter above).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and those posted by unexpected users.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- Reviewing the company's register of litigation and claims, Internal Audit reports, and Compliance reports 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Appointment

We were appointed by the directors on 29 August 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2018 to 31 December 2023.

Gary Shaw

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

# Profit and Loss Account

## For the year ended 31 December 2023

| Technical account – long-term business | Notes | 2023 £m | Restated[1] 2022 £m |
|---|---|---|---|
| Gross premiums written | 6 | **12.2** | 15.0 |
| Outward reinsurance premiums | | **(18.7)** | (19.7) |
| Earned premiums, net of reinsurance | | **(6.5)** | (4.7) |
| Other technical income | 8 | **30.0** | 34.1 |
| Revenue | | **23.5** | 29.4 |
| | | | |
| Investment income | 7 | **133.3** | 112.7 |
| Realised gains | 7 | **21.5** | 39.1 |
| Unrealised gains/(losses) on investments | 7 | **284.2** | (836.1) |
| Investment return | | **439.0** | (684.3) |
| | | | |
| Total income/(expense) | | **462.5** | (654.9) |
| | | | |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| Gross amount | | **(103.9)** | (104.5) |
| Reinsurers' share | | **27.1** | 30.1 |
| | | **(76.8)** | (74.4) |
| Change in provision for claims | | | |
| Gross amount | | **1.0** | 2.0 |
| Total claims incurred | | **(75.8)** | (72.4) |
| | | | |
| Transfer (to)/from the fund for future appropriations | 20 | **(1.2)** | 6.2 |
| | | | |
| Change in other technical provisions, net of reinsurance | | | |
| Long-term business provision | | | |
| Gross amount | 21 | **37.4** | 366.6 |
| Reinsurers' share | 21 | **(17.4)** | (106.2) |
| | | **20.0** | 260.4 |
| | | | |
| Change in technical provision for linked liabilities, net of reinsurance | 21 | **(352.9)** | 534.2 |
| | | **(334.1)** | 800.8 |
| | | | |
| Net operating expenses | 9 | **(18.0)** | (17.1) |
| Investment expenses and charges | | **(3.5)** | (4.0) |
| Other technical charges | | **0.0** | (0.4) |
| Tax attributable to the long-term business | 11 | **(10.5)** | (2.4) |
| | | **(32.0)** | (23.9) |
| | | | |
| Balance on the long-term business technical account | | **20.6** | 49.6 |

# Profit and Loss Account

## For the year ended 31 December 2023

| Non-technical account | Notes | 2023 £m | Restated[1] 2022 £m |
|---|---|---|---|
| Balance on the long-term business technical account | | **20.6** | 49.6 |
| Tax credit attributable to balance on long-term business technical account | 11 | **6.3** | 11.7 |
| Shareholders' pre-tax profit from long-term business | | **26.9** | 61.3 |
| | | | |
| Investment income | 7 | **2.6** | 2.1 |
| Unrealised gain/(loss) on Investments | 7 | **4.1** | (4.1) |
| Realised gain/(loss) on investments | 7 | **1.3** | (1.6) |
| Other charges | 8 | **(1.7)** | (1.7) |
| Profit on ordinary activities before tax | | **33.2** | 56.0 |
| Tax on profit on ordinary activities | 11 | **(7.8)** | (10.7) |
| Profit after tax for the year | | **25.4** | 45.3 |

[1] Please refer to Note 4.

# Statement of Comprehensive Income

## For the year ended 31 December 2023

| | Notes | 2023 £m | Restated[1] 2022 £m |
|---|---|---|---|
| **Previously reported profit for the financial year** | | **25.4** | 48.0 |
| **Prior year adjustment** | 4 | **-** | (2.7) |
| **Profit for the financial year (2022: Restated)** | | **25.4** | 45.3 |
| **Other comprehensive (expense)/income** | | | |
| **Remeasurements of net defined benefit obligations** | 27 | **(0.5)** | 0.2 |
| **Total tax on components of other comprehensive income/(expense)** | | **0.1** | (0.1) |
| **Other comprehensive (expense)/income for the year, net of tax** | | **(0.4)** | 0.1 |
| **Total comprehensive income for the year** | | **25.0** | 45.4 |

[1] Please refer to Note 4.

# Balance Sheet

## As at 31 December 2023

| | Notes | 2023 £m | Restated[1] 2022 £m |
|---|---|---|---|
| **Assets** | | | |
| **Present value of acquired in-force business** | 12 | **100.4** | 110.1 |
| **Negative goodwill** | 12 | **(84.7)** | (92.8) |
| **Intangible assets** | | **15.7** | 17.3 |
| **Investment in subsidiaries** | 13 | **4.5** | 4.5 |
| **Financial investments** | 14 | **756.1** | 806.5 |
| **Net assets held to cover linked liabilities** | 15 | **4,499.6** | 4,529.0 |
| **Reinsurers' share of long-term business provision** | 21 | **207.6** | 219.1 |
| **Reinsurer's share of linked liabilities** | 21 | **3.9** | 4.9 |
| **Debtors** | 16 | **12.2** | 14.9 |
| **Prepayments and accrued income** | | **11.1** | 11.1 |
| **Cash at bank and in hand** | 17 | **43.3** | 46.2 |
| **Total assets** | | **5,554.0** | 5,653.5 |

1 Please refer to Note 4

# Balance Sheet

## As at 31 December 2023

| | Notes | 2023 £m | Restated[1] 2022 £m |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| **Share capital** | 18 | **100.0** | 100.0 |
| **Profit and loss account** | | **59.5** | 94.5 |
| **Total equity** | | **159.5** | 194.5 |
| **Fund for future appropriations** | 20 | **62.4** | 61.2 |
| **Technical provisions** | | | |
| **Long-term business provision** | 21 | **738.7** | 776.1 |
| **Long-term reinsurance business provision** | 21 | **45.4** | 39.5 |
| **Claims outstanding** | 22 | **27.8** | 30.4 |
| | | **811.9** | 846.0 |
| **Technical provisions for linked liabilities** | 21 | **4,499.4** | 4,530.0 |
| **Provisions for other risks and charges** | 25 | **0.5** | 1.0 |
| **Deposits received from reinsurers** | | **3.1** | 3.2 |
| **Creditors: amounts falling due within one year** | 26 | **11.0** | 10.5 |
| **Accruals and deferred income** | | **4.8** | 6.4 |
| **Total liabilities excluding pension scheme net liability** | | **5,393.1** | 5,458.3 |
| **Defined benefit pension net liability** | 27 | **1.4** | 0.7 |
| **Total liabilities including pension scheme net liability** | | **5,394.5** | 5,459.0 |
| **Total equity and liabilities** | | **5,554.0** | 5,653.5 |

[1]Please refer to Note 4.

The notes on pages 33 to 69 form an integral part of these financial statements. The Financial Statements were approved by the Board of Directors on 5 April 2024 and were signed on its behalf on 5 April 2024 by:

S. Shone

Stephen Shone
Director

# Statement of Changes in Equity

## For the year ended 31 December 2023

| | Called up share capital £m | Restated[1] Profit and loss account £m | Total £m |
|---|---|---|---|
| **Balance as at 1 January 2022** | 100.0 | 119.1 | 219.1 |
| **Previously reported profit after tax** | - | 48.0 | 48.0 |
| **Impact of restatement[1]** | - | (2.7) | (2.7) |
| **Restated profit after tax [1]** | - | 45.3 | 45.3 |
| **Other comprehensive income for the year** | - | 0.1 | 0.1 |
| **Total comprehensive income for the year** | - | 45.4 | 45.4 |
| **Dividends paid** | - | (70.0) | (70.0) |
| **Restated balance as at 31 December 2022[1]** | **100.0** | **94.5** | **194.5** |
| **Profit after tax** | **-** | **25.4** | **25.4** |
| **Other comprehensive (expense) for the year** | **-** | **(0.4)** | **(0.4)** |
| **Total comprehensive income for the year** | **-** | **25.0** | **25.0** |
| **Dividends paid** | **-** | **(60.0)** | **(60.0)** |
| **Balance as at 31 December 2023** | **100.0** | **59.5** | **159.5** |

[1] Please refer to Note 4.

# Notes to the Financial Statements

## 1. General information

The Company is a life insurance regulated entity incorporated (as a limited liability company under the laws of England and Wales) in the UK. The Registered Office is located at Walton Street, Aylesbury, HP21 7QW.

The principal activity of the Company is the provision of life and pensions policies by pursuing its strategy of acquiring and consolidating businesses in the UK.

The Financial Statements are presented in sterling (£) which is the functional and presentational currency of the Company and rounded to the nearest £0.1m, except where otherwise stated.

## 2. Summary of significant accounting policies

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

### (a) Basis of preparation

These Financial Statements have been prepared under the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies and in accordance with FRS 102 and FRS 103. 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 Company has taken advantage of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements, as its results, and that of its subsidiaries RMIS (RTW) Limited (in the process of dissolution) and The Equitable Life Assurance Society ("ELAS"), are included in the group Financial Statements of Utmost Group Plc ("UGP"). These consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards and are publicly available from Saddlers House, 44 Gutter Lane, London, EC2V 6BR.

In these consolidated Financial Statements, the Company is considered to be a qualifying entity (for the purposes of UK financial reporting standards). In the preparation of the individual Financial Statements, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The requirement to prepare a cash flow statement and related notes;
- Related party disclosures;
- Key management compensation;
- Reconciliation of the number of shares outstanding at the beginning and end of the year; and
- Presentation of share-based payments disclosure as per FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

### (b) Going concern

The financial position of the Company is presented in the primary Financial Statements and disclosure notes on pages 27 to 69. The Directors have made an assessment of the Company's going concern, considering both the Company's current performance and its outlook for a period of at least 12 months from the date of approval of these Financial Statements, which takes into account the geo-political conflicts, using the information available up to the date of issue of the Company's financial statements.

The Company manages and monitors its capital and liquidity, and various assessments and stresses are applied to those positions to understand potential impacts of market downturns. These stresses do not give rise to any material uncertainties over the ability of the Company to continue as a going concern. Based upon the available information, the Directors consider that the Company has the plans and resources to manage its business risks successfully and that it remains financially strong.

# Notes to the Financial Statements continued

## 2. Summary of significant accounting policies continued

### (b) Going concern continued

Having assessed the principal risks and uncertainties (both financial and operational), discussed in the Strategic Report on pages 3 to 15, in light of the current economic environment, the Directors are confident that the Company 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 and have, therefore, considered it appropriate to adopt the going concern basis of accounting when preparing the Financial Statements.

### (c) Foreign currency translation

Foreign currency monetary items are translated using the year end closing rate and any exchange differences are recognised in the income statement. Foreign currency transactions during the year are recognised in the income statement using an average rate.

### (d) Business combinations, negative goodwill and acquired value of in-force policies

Business combinations are accounted for using the purchase method, under which the acquirer recognises the acquiree's fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date. The excess of any purchase consideration transferred over the fair value of the identifiable net assets is recorded as goodwill. Negative goodwill arises when the purchase consideration is less than the fair value of the identifiable assets and liabilities, and is recognised on the balance sheet as a negative intangible asset.

The present value of future profits on a portfolio of long-term insurance and investment contracts acquired is recognised as an acquired value of in-force business ("AVIF") intangible on acquisition. AVIF arises primarily from the expected emergence of profits from the policies acquired due to a more prudent assessment of policy liabilities compared to a fair value approach. On acquisition, the insurance contract liability is measured in accordance with the accounting policies for insurance contracts. The difference between the fair value of the acquired contracts and the value attributed to the insurance contract liability is the AVIF.

AVIF is amortised through the Profit and Loss over 15 years, the useful lifetime of the related contracts in the chosen portfolio, on a straight line basis. The rate of amortisation is chosen by considering the profile of the value of the in-force business acquired and the expected depletion in its value. Negative goodwill is released to Profit and Loss over the expected benefit period, which is in line with the amortisation rate of the related AVIF. Any acquisition-related costs are recognised in Profit or Loss as incurred.

AVIF is tested for impairment by reference to the present value of estimated future profits, which is considered to be a representation of value in use. Significant estimates include forecast cash flows and discount rates.

### (e) Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less, where appropriate, allowances for impairment. Investments are reviewed annually to assess whether there are indicators of impairment. Where indicators of impairment exist, the carrying value of the investment in the subsidiary is compared against its recoverable amount with differences recognised in Profit and Loss.

### (f) Financial investments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and the disclosure requirements of FRS 102.

The Company classifies its financial assets into the following categories:

- Shares and other variable yield securities – Fair Value through Profit and Loss ("FVTPL");
- Units in unit trusts – FVTPL;
- Derivatives – at Held-for-Trading ("HFT");
- Debt securities and other fixed-income securities – at FVTPL; and
- Deposits with credit institutions – Loans and Receivables.

# Notes to the Financial Statements continued

## 2. Summary of significant accounting policies continued

a. Financial assets – Fair Value through Profit and Loss

The fair values of financial assets traded in active markets are based on quoted bid prices on the balance sheet date.

The fair values of financial assets that are not traded in an active market are established by the Directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take place between market participants. More detail on these valuation models is provided in Note 5.

Net gains or losses arising from changes in the fair value of financial assets at FVTPL are presented in the Profit and Loss Account within Investment Income in the period in which they arise.

b. Financial assets – Held for Trading

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Net gains or losses arising from the change in fair value are presented in the Profit and Loss Account within Investment Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company receives and pledges cash as collateral in respect of certain derivative contracts to reduce the credit risk of these transactions. The amount of the collateral required is dependent upon the credit risk of the counterparty. The collateral received is segregated from the Company, and is recognised as an asset in the Balance Sheet with a corresponding liability for repayment.

c. Financial assets – Loans and Receivables

Deposits with credit institutions are initially recognised at the fair value of the consideration paid including transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently they are measured at amortised cost, using the effective interest method.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. .

For financial assets not at FVTPL, the Company assesses at each balance sheet date, whether there is objective evidence that a financial asset is impaired. The impairment losses are incurred only if there is evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Impairment losses are recognised in the profit or loss.

### (g) Reinsurance

The Company cedes reinsurance in the normal course of business in order to limit the potential for losses and to provide financing. Such contracts are accounted for as insurance contracts, provided the risk transfer is significant.

The amounts recoverable from reinsurers, recognised as assets on the Balance Sheet, are valued in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance receivables are reviewed for impairment at each reporting date.

The reinsurers' share of claims incurred, in the Profit and Loss Account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year.

Any deposit received from reinsurers is recorded on the Balance Sheet as a current asset with a corresponding current liability to reflect that this is due back to the reinsurer. Net reinsurance payable amounts represent mortality swaps in respect of annuity payments.

# Notes to the Financial Statements continued

## 2. Summary of significant accounting policies continued

### (h) Products classified as insurance contracts

Contracts which transfer significant insurance risk to the Company at the inception of the contract are classified as insurance contracts. Any contracts not considered to be insurance contracts are classified as investment contracts (see Note 2(j)).

Insurance contract liabilities are included in the long term business provision and the Technical Provisions for linked liabilities in the balance sheet.

a. Long term business provision

The long-term business provision is determined on the basis of recognised actuarial methods and in accordance with the regulations contained in the Prudential Regulation Authority (PRA) Rulebook, with adjustments to align to FRS 103 requirements. All relevant guidance from the Financial Reporting Council has been followed. The long-term provision also includes the non-unit liabilities in respect of unit-linked insurance contracts.

All long-term business Technical Provisions are determined in accordance with the Solvency II regulatory valuation adjusted as follows:

- The removal of the impact of Transitional Measures on Technical Provisions ("TMTPs"), if applicable;
- The use of discount rates based on swap rates with an additional margin for annuity business to allow for an illiquidity premium;
- The addition of a margin to best estimate expense, mortality and longevity assumptions as well as the take-up of Guaranteed Annuity Options ("GAOs") to ensure sufficient prudence in the provisions and no allowance is made for lapses;
- Confirmation that, at an individual policy level, the provision calculated will not be less than the guaranteed amount immediately due (this applied primarily to unit-linked insurance policies); and
- The removal of future final bonuses from with-profit provisions 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.

b. Technical Provisions for linked liabilities

Liabilities under unit-linked contracts are recognised as and when the units are created and are dependent on the value of the underlying financial assets, derivatives and/or investment property.

Unit-linked contracts which transfer significant insurance risk, including guaranteed benefits, are classified as insurance contracts and are carried in the balance sheet at an amount determined by the valuation of the related units on the valuation date.

The Technical Provisions for linked liabilities also includes amounts in respect of unit-linked contracts which principally involve the transfer of financial risk (see Note 22).

The change in insurance liability reflects the assumption changes relating to claims expectations, expenses, the addition of business acquired and the unwind of the previous year's expectations. It also includes the reduction in liability due to the payment of claims in the year.

Premiums, including reinsurance premiums, and consideration for annuities are recognised as income when due for payment, except for unit-linked insurance premiums, which are recognised when units are created.

Maturity claims and annuity benefit payments are recognised when due for payment.

# Notes to the Financial Statements continued

## 2. Summary of significant accounting policies continued

Surrenders are accounted for when paid or, if earlier, on the date the policy ceases to be included within the calculation of the long term business provision and/or the Technical Provisions for linked liabilities.

Death claims are recognised on the basis of notifications received.

Claims payable include the related internal and external claims handling costs.

**(i) Products classified as investment contracts**

Contracts which transfer financial risk (e.g. change in interest rate), but not significant insurance risk are classified as investment contracts.

Amounts received in respect of unit-linked investment contracts which principally involve the transfer of financial risk are accounted for under deposit accounting, with amounts collected credited directly to the Balance Sheet.

Financial liabilities in respect of unit-linked investment contracts are measured at fair value, determined by reference to the value of the underlying net asset values of the unitised investment funds at the balance sheet date. These are presented in the Balance Sheet within 'Technical Provisions for linked liabilities'.

Fees receivable from unit-linked investment contracts (included in 'Other technical income') as well as investment income and interest payable on contract balances are recognised in the Profit and Loss Account in the year they are accrued.

Claims are not included in the Income Statement but are deducted from investment contract liabilities. The movement in investment contract liabilities (included in 'Change in other Technical Provisions, net of reinsurance') consists of claims incurred in the year less the corresponding elimination of the policyholder liability originally recognised and the investment return credited to policyholders.

**(j) Cash**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. These are valued at amortised cost.

**(k) Debtors**

Debtors' balances arise from the normal operating activities of the Company. Debtors that are expected to be received within one year of the balance sheet date are recorded at their undiscounted amounts. Balances greater than one year or which constitute financing transactions are recorded at fair value less transaction costs and subsequently at amortised cost, net of impairment.

**(l) Creditors**

Creditors are initially recognised when due and are measured at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

**(m) Taxation**

Taxation comprises of current tax and deferred tax.

Current tax is the expected tax payable or receivable on current year profits adjusted for non-tax deductible and non-taxable items, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is calculated on the differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent that it is probable that future taxable profits will arise against which the losses can be utilised. It is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

# Notes to the Financial Statements continued

## 2. Summary of significant accounting policies continued

Both Current tax and Deferred tax are recognised in the Profit and Loss Account unless they relate to items which are recognised in 'Other Comprehensive Income' or directly through Equity.

**(n) Leases**

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases. The Company had no finance leases throughout the reporting year.

Rental payments under operating leases are charged to the income statement on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

**(o) Provisions and contingencies**

(i) Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation as well as any material impact of the time-value of money.

(ii) Defined benefit pension scheme
The Company has a defined benefit pension scheme, from the acquisition of RMIS (RTW) Limited (RMIS) on 1 April 2018. The scheme has been closed to future accruals since June 2010.

The liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

The defined benefit obligation is calculated by an independent actuary each year using the projected unit credit method. The present value is determined by discounting the estimated future cash flows. The discount rate used is based on market yields on high quality corporate bonds that are denominated in sterling and have terms approximating the estimated period of future payments.

The fair value of scheme assets is measured in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Included on the Balance Sheet are the present value scheme liabilities less the aggregate plan assets, net of deferred tax. The change in the net liability, less net interest, of the scheme is recognised in Other Comprehensive Income as 'Remeasurements of net defined benefit obligations'. Net interest is recognised in operating expenses in the Technical account – long term business within the Profit and Loss Account.

The cost of the defined benefit scheme includes the increase in the pension liability arising from employee service during the period and the cost of benefit changes, curtailments and settlements. This is recognised in Other expenses in the Profit and Loss Account.

(iii) Contingencies

Contingent liabilities arise as a result of past events when it is not probable that there will be an outflow of resources or that amount cannot be reliably measured at the reporting date, or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control.

Contingent liabilities are not recognised on the Balance Sheet, unless acquired in a business combination, but are disclosed, unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the Financial Statements when an inflow of economic benefits is probable.

# Notes to the Financial Statements continued

## 2. Summary of significant accounting policies continued

**(p) Investment return**

Investment return comprises investment income, including realised investment gains and losses and movements in unrealised gains and losses on investments designated as fair value through profit or loss, net of investment expenses and charges.

Interest income is recognised as it accrues.

Dividends are included as investment income on the date when the right to receive has been established.

**(q) Distributions to equity holders**

Dividends and other distributions to the Company's shareholder are recognised as a liability in the Balance Sheet in the year they are approved by the shareholders.

**(r) Funds for Future Appropriation**

The Funds for Future Appropriation ("FFA") represent the accumulated excess funds yet to be allocated to with-profits policyholders.

Any appropriation of bonuses to with-profits funds policyholder is credited to the account to with-profits policyholders, subject to sufficient assets being maintained to ensure that the long-term business fund remains financially strong. However, if the long-term business fund were to make any significant losses, the levels of cumulative bonuses to with-profits policyholders may be reduced. The basic allocation of profits and losses to with-profits business is as set out in the Principles and Practices of Financial Management ("PPFM") which can be found here https://www.utmost.co.uk/about-us/with-profits/.

**(s) Segmental reporting**

In the opinion of the Directors, the Company operates in one business segment, being that of long–term insurance business.

## 3. Critical accounting estimates and judgements

The preparation of the Financial Statements which conform to UK GAAP FRS 102 requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed below.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about carrying amounts of assets and liabilities that are not objectively verifiable. Actual results may differ from the estimates made. Estimates and underlying assumptions are reviewed regularly by Management and the Board, and, where necessary, are revised to reflect current conditions.

***Critical accounting estimates***

**(a) Insurance and investment contract liabilities**

The calculation of insurance and investment contract liabilities is a critical estimate, based on the fact that although the process for the establishment of these liabilities follows specified rules and guidelines, the provisions, and any related AVIF, that result from the process are the subject of estimations of future cash flows. As a consequence, the eventual claims could vary from the amounts provided to cover future claims. The Company seeks to provide appropriate levels of contract liabilities taking known facts, market conditions and past experience into account but, regardless, such liabilities remain uncertain. The calculation methodology is discussed further in accounting policy note 2(i) and 2(j) and sensitivities arising from significant non-economic assumptions are detailed in note 5.

# Notes to the Financial Statements continued

## 3. Critical accounting estimates and judgements continued

### (b) Fair value of financial assets and liabilities

Where possible, financial assets and liabilities are valued on the basis of listed market prices, 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 or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments.

Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments, therefore, involve the use of estimates.

### (c) Recoverability of acquired value of in-force business and related negative goodwill

The calculation of AVIF includes significant estimates such as forecast expenses, charges, persistency rates, guarantee costs and discount rates. AVIF is tested for impairment by reference to the present value of estimated future profits.

The amortisation and testing for impairment of related negative goodwill is closely linked to the recoverability of the underlying assets acquired, of which AVIF is one, and, therefore, is also subject to uncertainty. The recoverability is measured by calculating the fair value less costs to sell.

***Critical judgements***

The Company's classification between which products are insurance contracts and which are investments contracts is a critical judgement as the classification dictates the relevant presentation and measurement that is applied to each type of contract in the financial statements.

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause the insurer to make significant additional payments. These contracts may also include the transfer of financial risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Any contracts not considered to be insurance contracts are classified as investment contracts.

## 4. Restatement of comparative information

The comparative information for the year ended 31 December 2022 has been restated due to a misclassification of products between insurance and investment business. Insurance contract provisions were understated by £31.9m (comprised of £28.5m of linked liabilities and £3.4m of long term business provisions) and investment contract provisions were overstated by £28.6m (comprised of £28.5m of linked liabilities and £0.1m of long term business provisions). On a net basis, insurance and investment contract provisions were understated by £3.3m for the year ended 31 December 2022 and current tax payable was overstated by £0.6m, with a corresponding overstatement of profit after tax of £2.7m. Note this adjustment relates only to the 2022 results, there was no restatement required of the opening balance sheet at 1 January 2022.

# Notes to the Financial Statements continued

## 4. Restatement of comparative information continued

| Balance Sheet (extract) | Previously reported 31 Dec 2022 £m | (Decrease)/ increase £m | 31 Dec 2022 (restated) £m |
|---|---|---|---|
| Total Equity | 197.2 | (2.7) | 194.5 |
| Long-term business provision | 772.8 | 3.3 | 776.1 |
| Creditors: amounts falling due within one year | 11.1 | (0.6) | 10.5 |
| Total liabilities excluding pension scheme net liability | 5,455.6 | 2.7 | 5,458.3 |
| Total liabilities including pension scheme liability | 5,456.3 | 2.7 | 5,459.0 |

| Profits and Loss Account (extract) | Year Ended 31 Dec 2022 £m | (Decrease)/ increase £m | Year Ended 31 Dec 2022 (restated) £m |
|---|---|---|---|
| Change in other technical provisions | | | |
| Long-term business provision – gross amount | 369.9 | (3.3) | 366.6 |
| Tax attributable to the long-term business | (3.0) | 0.6 | (2.4) |
| Balance on the long-term business technical account | 52.3 | (2.7) | 49.6 |
| Tax credit attributable to balance on long-term business technical account | 12.3 | (0.6) | 11.7 |
| Shareholders' pre-tax profit from long-term business | 64.6 | (3.3) | 61.3 |
| Profit on ordinary activities before tax | 59.3 | (3.3) | 56.0 |
| Tax on profit on ordinary activities | (11.3) | 0.6 | (10.7) |
| Profit after tax for the year | 48.0 | (2.7) | 45.3 |

| Statement of Comprehensive Income (extract) | Year Ended 31 Dec 2022 £m | (Decrease) £m | Year Ended 31 Dec 2022 (restated) £m |
|---|---|---|---|
| Total comprehensive income for the year | 48.1 | (2.7) | 45.4 |

## 5. Financial risk management

The Company is exposed to both insurance and financial risk as a consequence of its business activities. These are managed in accordance with the Enterprise Risk Management ("ERM") Framework which sets out the Company's overall strategy towards and appetite for risk. This has been approved by the Board of Directors.

The risks arising from the insurance and investment activities that the Company is exposed to at the end of the reporting period are discussed as follows:

### (a) Insurance risk

Insurance risk is defined as the uncertainty attaching to the occurrence, amount and timing of insurance liabilities. The Company's principal insurance risks are as follows:

# Notes to the Financial Statements continued

## 5. Financial risk management continued

- Persistency and option take-up risk, which arises primarily on the large block of in-force unit-linked business;
- Expense risk, which arises because the majority of the Company's operational activity is carried out in-house; and
- Longevity risk, which arises primarily on the Company's significant in-force book of in-payment annuities.

The Company manages these risks by:

- Setting and monitoring appropriate risk appetite limits;
- Monitoring the amount of capital it holds;
- Use of reinsurance;
- Assumption setting;
- Claims underwriting; and
- Cost control and budget reforecasting.

The long-term business provisions are sensitive to the assumptions used in respect of these risks, which are set periodically by the Board of Directors, with appropriate levels of prudence based on analysing actual experience.

While the impact of a short-term variation in the experience may not be material, long-term business provisions would be impacted if these assumptions were to be changed. This would generate a profit or a loss in the calendar year in which the change to assumptions was applied.

The table below illustrates the impact of the increase in long-term business provisions, non-financial assumptions:

| **Sensitivities** | **2023** | **2022** |
|---|---|---|
| | **Loss £m** | **Loss £m** |
| **Additional 5% in GAO take-up rates** | **0.6** | **0.7** |
| **10% decrease in mortality rates*** | **4.7** | **5.0** |

**These are based on long-term business provisions net of reinsurance.*

*Governance framework*

The Board determines the level of insurance risk through the business planning process and sets the risk appetite. Insurance risk is controlled through Risk and Capital Committee ("RCC"), which approve all new insurance risks within the context of the risk appetite, including the launch of new products and any changes in strategy which may impact insurance risk. The performance of the in-force book is monitored by the RCC with specific risks tracked for remedial actions where needed. Stress and scenario testing is carried out as part of the Own Risk and Solvency Assessment ("ORSA") process to consider the impact of larger risk events and how they would be managed by the Company.

*General mitigation of insurance risks*
In addition to the specific risks above, insurance risk is mitigated through the design of the policies with specific exclusions and limits on the size and durations of benefits which are set out in their Terms and Conditions.

### (b) Market risk

Market risk is the adverse financial impact from changes in fair values or cash flows of the Company's assets and liabilities from fluctuations in interest rates, movement in credit spreads and changes due to equity risk. It is recognised that market risk is part of managing the portfolios and that a certain level of market risk is acceptable in order to deliver benefits to the Company. The Company is exposed to market risk from owning a portfolio of invested assets and has a low/medium appetite for this type of risk. The Company does not actively pursue a trading strategy in financial instruments that are vulnerable to gains or losses from fluctuations in interest rates or other economic values.

# Notes to the Financial Statements continued

## 5. Financial risk management continued

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims costs are related to interest rates, liabilities to policyholders are exposed to interest rate risk.

The market risk to which the Company is exposed include:

- Reduction in returns on assets, due to a sustained fall in yields on fixed income investments;
- Impact to solvency driven by rise in yields on fixed interest investments from a rise in interest rates and spreads; and the
- Loss of investment income or market value of the portfolio from an adverse shock to a specific sector.

A variety of risk management techniques are utilised to control and mitigate the market risks that the business is exposed to, including:

- Asset liability matching strategy. The Company's investment portfolio is managed in such a way that it is matched to the expected duration of the liabilities on a Solvency II basis, Matching is achieved in total by portfolio and fund.
- Regular review of the sector diversification of the portfolio.
- Timely market updates and forecasts from the investment advisors covering interest rates, credit spreads and market development by sectors.

The average duration target for the investment portfolio is commensurate with the individual run-off profile of the with-profits funds. A quarterly mismatch report on the Matching Adjustment portfolio is presented to the Asset and Liability Committee, which would decide to take remedial action, if required.

Credit spreads:
The Company exposure to credit spreads is driven by market price and cash flow variability associated with changes in credit spreads. A widening of the credit spreads will result in increase in unrealised losses for our investment portfolio while a tightening of credit spreads will reduce our net investment income.

### (c) Credit risk

The Company has exposure to credit risk which is the risk, that a counterparty will be unable to pay amounts in full when due. The Company is exposed to the following credit risks:

- Amounts due from debt securities;
- Amounts due from collective investment schemes and money markets;
- Cash deposits;
- Amounts due from insurance and other receivables; and
- Reinsurers' share of insurance liabilities and of claims paid.

The Company manages these risks by:

- Setting and monitoring appropriate risk appetite limits;
- Monitoring the amount of capital it holds;
- Investment guidelines/limit structures;
- Asset optimisation; and
- Collateral arrangements.

The assets, excluding unit-linked assets, bearing credit risk are summarised below, together with an analysis by credit rating.

# Notes to the Financial Statements continued

## 5. Financial risk management continued

| | 2023 £m | 2022 £m |
|---|---|---|
| **Non-linked assets subject to credit risk** | | |
| **Sovereign debt** | **265.3** | 268.4 |
| **AAA** | **5.9** | 5.9 |
| **AA** | **64.2** | 62.2 |
| **A** | **394.5** | 470.2 |
| **BBB** | **151.4** | 143.4 |
| **BB and below or not rated** | **1.6** | 1.6 |
| **Total assets bearing credit risk** | **882.9** | 951.7 |
| | | |
| **Derivative financial instruments** | **3.8** | 4.4 |
| **Debt securities** | **667.6** | 667.8 |
| **Assets arising from reinsurance contracts held** | **211.5** | 224.0 |
| **Deposits with credit institutions** | **0.0** | 55.5 |
| **Total assets bearing credit risk** | **882.9** | 951.7 |

Credit risk exposure through assets arising from reinsurance arrangements is included in the above table based on the credit rating of the counterparty (A, AA or not rated).

The above table does not include cash balances, £43.3m (2022: £46.2m). Cash is held with the following institutions; Barclays Plc £6.3m (rated A), HSBC £36.5m (rated A) and Santander £0.5m (A).

The Investment Committee sets exposure limits and assesses them periodically. The Investment Committee is also responsible for reviewing actual exposure against limits on a regular basis and for monitoring the performance of the Investment Managers. Reinsurance credit risk is managed by the RCC, which operates under direction from the Board and approves new reinsurance agreements. There are no financial assets for which income is overdue or that have been impaired during the year.

The key area where the Company is exposed to credit risk is through its investment in corporate bonds. The Company manages the level of risk via sector and rating analysis and uses this analysis to help define the optimal balance between the risk taken and the returns earned on the underlying assets.

On a quarterly basis the Company analyses invested assets by market value, issuer, credit rating, sector and geographical region, in order to assess the risk of concentration within the portfolio. This allows the Company to regularly monitor exposure to the default risk of a given issuer and performance of an individual sector.

Through regular meetings with the Company's Investment Managers and monthly watch lists, the risk of a fall in the value of fixed-interest securities from changes in the perceived creditworthiness of the issuer is considered. In addition, sector and geographical exposure is monitored to ensure diversification and that there is no concentration in either sector or geographical region. In cases where the Company is particularly exposed to credit risk (e.g. sector concentration), this risk is actively managed through the investment guidelines.

The table overleaf shows the sector diversification of the debt portfolio as at 31 December 2023 and 2022 respectively.

# Notes to the Financial Statements continued

## 5. Financial risk management continued

| Sector | 2023 % Holding | 2022 % Holding |
|---|---|---|
| **Government Bonds** | **21%** | 23% |
| **Corporate Bonds Financial** | **28%** | 28% |
| **Corporate Bonds Industrial** | **31%** | 30% |
| **Government Index Linked** | **13%** | 12% |
| **Government Guaranteed** | **1%** | 1% |
| **Other Index Linked Bonds** | **1%** | 1% |
| **Public Authorities** | **1%** | 1% |
| **Supranational Bonds** | **4%** | 4% |

### (d) Operational risk

The Company is exposed to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This is managed through the Company's RCC which review and monitor operational risks and report on these to the Board.

The Risk Function carries out assessments of operational risks, and work with stakeholders to implement action plans to mitigate the risks.

A Risk and Control Self-Assessment ("RCSA") process is in place within the Company, where operational risk exposures are identified and assessed as part of a periodical cycle. This includes a description of risks; the causes and consequences, a gross risk assessment of impact and likelihood; a list of 'prevention and detection' controls; and a 'net' assessment, taking into consideration the effectiveness of the controls in place. Furthermore, the RCSA process also captures risk ownership, assurance and further actions, and an identified risk owner (usually the functional head) is responsible for the management of the risk, including control effectiveness, and any remedial actions required to mitigate the risk.

The Company maintains and tracks daily an internal incident monitor and capture process, which identifies, quantifies and monitors risk events that have occurred across the business. All incidents reported follow a resolution process, including an escalation and change management process. Controls are attested to on a regular basis.

### (e) Liquidity risk

The Company's liquidity risk stems from the need to have sufficient liquid assets to meet policyholder and third party payments as they fall due. This is managed by weekly cash forecasts and also by holding sufficient cash and other assets in investments which are readily marketable in a sufficiently short timeframe to be able to settle liabilities as they fall due.

The Company has significant internal sources of liquidity, which are sufficient to meet all our expected cash requirements for a period of 12 months from approval date, without having to resort to external sources of funding.

The uses and sources of liquidity are reviewed by the Asset and Liability Committee ("ALCO") on a quarterly basis, on a base and stressed basis. The Company has various mitigation of liquidity risk in place, as follows:

- Our liquidity risk policy;
- Access to Group short term loans;
- Risk appetite, trigger levels and limits in place;
- Weekly and monthly formal cash reporting; and
- Regular stress testing.

The tables below provides a maturity analysis of the Company's financial liabilities.

# Notes to the Financial Statements continued

## 5. Financial risk management continued

| **2023** | **On demand £m** | **Up to 1 year £m** | **Between 1-5 years £m** | **>5 years £m** | **Total £m** |
|---|---|---|---|---|---|
| **Financial liabilities under non-profit investment contracts** | **4,154.2** | **-** | **-** | **-** | **4,154.2** |
| **Creditors** | **-** | **11.4** | **1.2** | **1.5** | **14.1** |
| | **4,154.2** | **11.4** | **1.2** | **1.5** | **4,168.3** |
| **Financial liabilities under with profits investment contracts included in long term business provision** | **4.7** | **-** | **-** | **-** | **4.7** |
| **At 31 December 2023** | **4,158.9** | **11.4** | **1.2** | **1.5** | **4,173.0** |

| **Restated 2022** | **Restated[1] On demand £m** | **Up to 1 year £m** | **Between 1-5 years £m** | **>5 years £m** | **Restated[1] Total £m** |
|---|---|---|---|---|---|
| Financial liabilities under non-profit investment contracts previously reported | 4,203.6 | - | - | - | 4,203.6 |
| Prior year restatement[1] | (28.5) | - | - | - | (28.5) |
| Restated financial liabilities under non-profit investment contracts | 4,175.1 | - | - | - | 4,175.1 |
| Creditors | - | 11.7 | 1.0 | 1.7 | 14.4 |
| | 4,175.1 | 11.7 | 1.0 | 1.7 | 4,189.5 |
| Financial liabilities under with profits investment contracts included in long term business provision | 5.5 | - | - | - | 5.5 |
| At 31 December 2022 | 4,180.6 | 11.7 | 1.0 | 1.7 | 4,195.0 |

[1] Please refer to Note 4.

### (f) Fair value estimation

The fair values of debt securities and other fixed income securities were determined using a market approach, income approach or a combination of both depending on the type of instrument and availability of information. The Company utilised certain third-party data providers when determining fair value.

For pricing services, the Company analysed the prices provided by its primary pricing services to other readily available pricing services and performed a detailed review of the assumptions and inputs from each pricing service to determine the appropriate fair value when pricing differences exceed certain thresholds.

It also evaluated changes in fair value that are greater than 10% each quarter to further aid its review of the accuracy of fair value measurements and its understanding of changes in fair value, with more detailed reviews performed by the asset managers responsible for the related asset class associated with the security being reviewed.

### (g) Valuation

In general, valuations from pricing services were obtained in the first instance. If a price was not supplied by a pricing service, a broker quote was sought for public or private fixed maturity securities. The prices obtained are classified as follows:

# Notes to the Financial Statements continued

## 5. Financial risk management continued

- Level 1: fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements derived from valuation techniques that include inputs for the asset and liability that are based on significant unobservable market data.

The following tables present the Company's assets and liabilities measured at fair value.

| **2023** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| **Financial assets at fair value through profit and loss** | | | | |
| **Shares and other variable-yield securities and units in unit trusts** | **79.7** | **-** | **5.0** | **84.7** |
| **Debt securities and other fixed income securities** | **265.2** | **402.4** | **-** | **667.6** |
| **Derivative financial investments** | **-** | **3.8** | **-** | **3.8** |
| | **344.9** | **406.2** | **5.0** | **756.1** |
| **Financial assets held to cover linked liabilities[1]** | **4,498.0** | **-** | **-** | **4,498.0** |
| **Total assets at fair value through profit and loss** | **4,842.9** | **406.2** | **5.0** | **5,254.1** |

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| **Liabilities held at fair value through profit and loss** | | | | |
| **Technical provisions for linked liabilities** | **4,499.4** | **-** | **-** | **4,499.4** |
| **Total liabilities at fair value through profit and loss** | **4,499.4** | **-** | **-** | **4,499.4** |

[1]Total financial assets held to cover linked liabilities of £4,499.6m consists of financial assets held to cover linked liabilities of £4,498.0m (inclusive of cash £7.7m) and net current assets of £1.6m.

| **2022** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Financial assets at fair value through profit and loss | | | | |
| Shares and other variable-yield securities and units in unit trusts | 74.7 | - | 4.1 | 78.8 |
| Debt securities and other fixed income securities | 268.4 | 399.3 | - | 667.7 |
| Derivative financial investments | - | 4.4 | - | 4.4 |
| | 343.1 | 403.7 | 4.1 | 750.9 |
| Financial assets held to cover linked liabilities | 4,526.2 | - | 0.7 | 4,526.9 |
| Total assets at fair value through profit or loss | 4,869.3 | 403.7 | 4.8 | 5,277.8 |

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Liabilities held at fair value through profit and loss | | | | |
| Technical provisions for linked liabilities | 4,529.3 | - | 0.7 | 4,530.0 |
| Total liabilities at fair value through profit or loss | 4,529.3 | - | 0.7 | 4,530.0 |

# Notes to the Financial Statements continued

## 5. Financial risk management continued

| The following table presents the changes in Level 3 instruments for the year: | Shares, variable yield securities & unit trusts £m | Linked assets £m | Total Level 3 Assets £m |
|---|---|---|---|
| At 1 January 2023 | 4.1 | 0.7 | 4.8 |
| Net gains/(loss) recognised in profit and loss | 0.9 | (0.7) | 0.2 |
| Assets sold/matured in the year | - | - | - |
| At 31 December 2023 | 5.0 | 0.0 | 5.0 |

| The following table presents the changes in Level 3 liabilities for the year: | Technical provisions for linked liabilities £m | Total Level 3 Liabilities £m |
|---|---|---|
| At 1 January 2023 | 0.7 | 0.7 |
| Net (loss) recognised in profit and loss | (0.7) | (0.7) |
| At 31 December 2023 | - | - |

The Level 3 share asset (£5.0m) represents an equity holding in an investment company which holds a portfolio of onshore UK wind farms and wind finance companies. The investment company values the wind farms at fair value, using discounted cash flow valuation techniques, and the investment in finance entities at fair value, based on the fair value of loan notes and a share of net current assets.

The significant unobservable inputs into the fair value model for the wind farms include the discount rate, energy yield, power price and inflation rate. The below analysis is provided in order to illustrate the sensitivity of the fair value of investments to the energy yield, while all other variables remain constant.

| Significant unobservable input | Range | Average | Change in input | Change in fair value of investment | ULP share | % change in fair value |
|---|---|---|---|---|---|---|
| P50 Generation (MWh) | 5,850–21,750 | 12,989 | P50 +10% | £8.6m | £0.6m | 8.4% |
| (Energy yield) | | | P50 – 10% | (£8.6m) | (£0.6m) | (8.5%) |

The above sensitivity information is as at 31 December 2022 which is the latest available information from the investment company.

## Notes to the Financial Statements continued

### 6. Gross Premiums

#### (a) Gross Premiums Written

All premiums relate solely to long-term insurance contracts.

| | 2023 £m | 2022 £m |
|---|---|---|
| **Gross premiums written comprise** | | |
| **Direct insurance** | **12.2** | 15.0 |
| | | |
| **Gross direct premiums written in respect of insurance contracts and with profits investment contracts** | | |
| **Periodic premiums** | **4.9** | 6.1 |
| **Single premiums** | **7.3** | 8.9 |
| | **12.2** | 15.0 |
| | | |
| **Gross premiums written comprise** | | |
| **Life insurance contracts** | **4.0** | 5.2 |
| **Pensions contracts** | **8.2** | 9.8 |
| | **12.2** | 15.0 |
| **Gross premiums written comprise** | | |
| **Unit linked insurance contracts** | **2.1** | 2.7 |
| **Non linked insurance contracts** | **10.1** | 12.3 |
| | **12.2** | 15.0 |
| **Geographical analysis** | | |
| **UK** | **12.2** | 15.0 |

In addition to the premiums disclosed above in relation to insurance contracts and investment contracts with discretionary participating features, the following premiums were received in relation to investment contracts. These are accounted for using deposit accounting as additions to investment contract liabilities in the Statement of Financial Position (Note 21) rather than as premiums in the long-term technical account.

| | 2023 £m | 2022 £m |
|---|---|---|
| **Unit-linked investment contracts comprise** | | |
| **Life** | **0.1** | 0.1 |
| **Pensions** | **47.9** | 37.9 |
| | **48.0** | 38.0 |

There were no premiums for non-linked investment contracts.

#### (b) Gross new business premiums

New business premiums for insurance contracts include contractual pension vesting and investment contracts with discretionary participating features were as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| **Single premiums which were pension contracts and non linked insurance contracts** | **7.3** | 8.9 |
| | | |
| **Geographical analysis** | | |
| **UK** | **7.3** | 8.9 |

# Notes to the Financial Statements continued

## 6. Gross premiums continued

In classifying new business premiums the following bases of recognition have been adopted:

- Pensions vested from existing policies into annuity contracts during the year are included as new annuity single premium business at the annuity purchase price.
- Flexible Drawdown product and annuities sold to existing customers on the vesting of their pension savings contracts (including contracts with guaranteed annuity options) are included as new business.

## 7. Investment Return

| Investment return: long term business technical account | 2023 £m | 2022 £m |
|---|---|---|
| Investment income – interest income | **26.2** | 24.0 |
| Investment income - dividend income | **107.1** | 88.7 |
| Realised net gains | **21.5** | 39.1 |
| Unrealised net gains/(losses) | **284.2** | (836.1) |
| | **439.0** | (684.3) |

| Investment return: non-technical account | 2023 £m | 2022 £m |
|---|---|---|
| Investment income - Interest income | **1.6** | 1.6 |
| Investment income - dividend income | **1.0** | 0.5 |
| Realised net gains/(losses) | **1.3** | (1.6) |
| Unrealised net gains/(losses) on investments | **4.1** | (4.1) |
| | **8.0** | (3.6) |

The investments on assets which are directly designated as shareholder assets are recognised in the shareholder section of the profit and loss while all the returns on assets are reflected in the technical account.

## 8. Other Technical Income and Charges

Other income includes fees for policy administration and asset management services arising from non-participating investment contracts. Other charges comprise the amortisation (charged)/credited in the year on the acquired value of in-force business and negative goodwill on the acquisition of the assets and liabilities from RMIS.

| | 2023 £m | 2022 £m |
|---|---|---|
| **Other technical income** | | |
| Fee income from investment contracts | **30.0** | 32.9 |
| Intercompany income due to ULP | **-** | 1.2 |
| | **30.0** | 34.1 |
| **Other charges: non-technical account** | | |
| Amortisation of negative goodwill | **8.1** | 8.1 |
| Amortisation of Present Value of AVIF | **(9.8)** | (9.8) |
| | **(1.7)** | (1.7) |

# Notes to the Financial Statements continued

## 9. Net operating expenses

| | 2023 £m | 2022 £m |
|---|---|---|
| **Administration expenses** | **15.7** | 15.6 |
| **One off expenses** | **2.3** | 1.6 |
| **Release of integration and retention provision** | **-** | (0.1) |
| | **18.0** | 17.1 |

The Company has no employees, and all services are undertaken by employees seconded to the Company by Utmost Life and Pensions Services (ULPS) under a Secondment Agreement, which became effective from 1 April 2018. ULP incurs a management charge for secondment services in accordance with the Agreement.

Employee costs, incurred via the management charge, are:

| | 2023 £m | 2022 £m |
|---|---|---|
| **Wages and salaries (incl. fees paid to non-executive directors)** | **9.2** | 8.5 |
| **Social security costs** | **1.0** | 1.0 |
| **Defined contribution pension costs** | **0.5** | 0.5 |
| **Non-contractual benefits** | **0.1** | 0.1 |
| | **10.8** | 10.1 |

The monthly average number of employees seconded to ULP during the year, including executive Directors, was 150 (Full time equivalent (FTE): 136) (2022: Headcount: 152; FTE: 139). The total staff number at the end of 2023, including contractors, was 150 (FTE: 137) (2022: Headcount: 150; FTE: 137).

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Included within administration expenses are: | | |
| **Audit services:** | | |
| **Audit fees payable to the Company's auditors** | **744** | 717 |
| **Non-audit services:** | | |
| **Audit-related assurance services** | **57** | 54 |
| | **801** | 771 |

Fees shown are net of VAT.

## 10. Directors' remuneration

The Directors' emoluments were as follows:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Aggregate remuneration** | **1,067** | 1,146 |
| **Highest paid Director (included in the above figures)** | **589** | 563 |

## Notes to the Financial Statements continued

### 10. Directors' remuneration continued

Executive Directors who are employees and independent Non-executive Directors are remunerated by ULPS; the cost for which is recharged to the Company and included within administrative expenses (Note 9).

No incremental emoluments were paid to any Group Non-executive Directors in respect of services to the Company (2022: nil).

The Company provides one Director with a cash-settled long-term bonus plan. Amounts payable under the plan are dependent on an increase in Solvency II Economic Value over a five year period from 1 April 2023 to 31 March 2028, or earlier event as defined under the Plan. The fair value of the plan was £0.2m at 31 December 2023. A similar arrangement covering the period 1 April 2018 to 31 March 2023 vested in the year and £1.9m was paid out in June 2023.

### 11. Tax on profit on ordinary activities

| | | Restated[1] |
|---|---|---|
| | **2023** | **2022** |
| **Technical account – long-term business** | **£m** | **£m** |
| **UK corporation tax charge** | **6.3** | 11.5 |
| **Total current tax charge** | **6.3** | 11.5 |
| **Current year movement in deferred taxation** | **4.2** | (9.1) |
| **Total deferred tax charge/(credit) in the long term account** | **4.2** | (9.1) |
| **Tax charge in the Profit and Loss Account** | **10.5** | 2.4 |

[1] Please refer to Note 4.

The tax charge in the technical account is comprised of a tax charge of £4.3m (2022: tax credit of £8.9m) at the policyholder rate of 20% (2022:20%), a deferred tax charge of £0.6m at the corporation tax rate of 23.5% (2022: deferred tax credit of £(0.2)m at 19%) and a current tax charge of £5.6m in respect of tax payable at the main UK corporation tax rate for 2023 of 23.5%

| | | Restated[1] |
|---|---|---|
| | **2023** | **2022** |
| **Non-technical account** | **£m** | **£m** |
| **Tax attributable balance on long-term business account** | **6.3** | 11.7 |
| | **6.3** | 11.7 |
| **Current year movement in current taxation** | **1.5** | (1.0) |
| | **1.5** | (1.0) |
| **Tax charge in the Profit and Loss Account** | **7.8** | 10.7 |

# Notes to the Financial Statements continued

## 11. Tax on profit on ordinary activities continued

**Reconciliation between standard and effective tax rate**

| | 2023 £m | Restated[1] 2022 £m |
|---|---|---|
| **Profit before Tax** | **33.2** | 56.0 |
| **Income tax at main rate of UK corporation tax of 23.5% (2022: 19%)** | **7.8** | 10.7 |
| **Tax charge in the Profit and Loss Account** | **7.8** | 10.7 |

[1]Please refer to Note 4.

**Corporation taxation and social security consists of the following balances:**

| | 2023 £m | 2022 £m |
|---|---|---|
| **Corporation taxation and social security (Note 26)** | **5.8** | 6.0 |
| **Corporation taxation relating to assets held to cover linked liabilities (Note15)** | **0.5** | (2.2) |
| **Total** | **6.3** | 3.8 |

[1] Please refer to Note 4.

The UK corporation tax rate increased from 19% to 25% from 1 April 2023, resulting in a blended tax rate of 23.5% applied in the current tax year. This increase in the tax rate has had no significant impact on the Company's tax charge during the period as any company deferred tax assets and liabilities were revalued in the prior period when the change was enacted in accordance with UK GAAP requirements.

The UK Government has legislated for the Global Anti-Base Erosion Model Rules (Pillar Two) ("GloBE") 15% minimum tax effective from 1 January 2024. The Utmost Group, of which the Company is a part, is currently analysing the scope of this regime with respect to its operations and currently anticipates that it is not immediately in scope. If the Utmost Group were to become in scope the requirements of GloBE should not have any impact on the Company as it is subject to UK Corporation tax at 23.5% for year ended 31 December 2023 and 25% thereafter.

## 12. Intangible assets

| | Goodwill £m | Present Value of Acquired in force Business £m | Total £m |
|---|---|---|---|
| **Cost (2022 and 2023)** | | | |
| **At 1 January 2022 and 2023** | **(121.1)** | **146.6** | **25.5** |
| **Movement during the year** | **-** | **-** | **-** |
| **At 31 December 2022 and 2023** | **(121.1)** | **146.6** | **25.5** |

# Notes to the Financial Statements continued

## 12. Intangible assets continued

| **2023**<br>**Accumulated amortisation** | **Goodwill** | **Present Value of Acquired in force Business** | **Total** |
|---|---|---|---|
| **At 1 January 2023** | **28.3** | **(36.5)** | **(8.2)** |
| **Amortisation during year** | **8.1** | **(9.7)** | **(1.6)** |
| **At 31 December 2023** | **36.4** | **(46.2)** | **(9.8)** |
| | | | |
| **Net book value at 31 December 2023** | **(84.7)** | **100.4** | **15.7** |

| 2022<br>Accumulated amortisation | Goodwill | Present Value of Acquired in force Business | Total |
|---|---|---|---|
| At 1 January 2022 | 20.2 | (26.7) | (6.5) |
| Amortisation during year | 8.1 | (9.8) | (1.7) |
| At 31 December 2023 | 28.3 | (36.5) | (8.2) |
| | | | |
| Net book value at 31 December 2022 | (92.8) | 110.1 | 17.3 |

The Present Value of Acquired In-force Business (PVIF) and Negative Goodwill balances relate to two acquisitions: RMIS in April 2018 and Equitable Life Assurance Society (ELAS) in January 2020.

The Directors have assessed the useful life of the PVIF and useful economic value of the Negative Goodwill arising on these acquisitions as 15 years, based on the period over which the value of the underlying business acquired is expected to exceed the value of the acquired identifiable net assets. The remaining amortisation period for ELAS business at 31 December 2023 is 11 years (2022: 12 years). The remaining amortisation period for the RMIS business is 9.25 years at 31 December 2023 (2022: 10.25 years) for these balances.

## 13. Investments in subsidiaries

The Company has two subsidiaries, RMIS (RTW) Limited (RMIS) and Equitable Life Assurance Society (ELAS).

In 2018, under an agreement with RMIS, assets and liabilities in excess of those required to meet member payments, were transferred to the Company. The Company holds 100% of the voting rights of RMIS. The value and cost held at the balance sheet date was £nil (2022: £nil).

The principal activity of RMIS was solely to make payments to its former members under the High Court sanctioned Part VII scheme. The scheme came to an end on 31 March 2023 at which point the remaining net assets were transferred to ULP. RMIS is currently under the process of dissolution. RMIS (registration number 00491580) is incorporated in England and Wales and the registered office is Walton Street, Aylesbury, HP21 7QW.

On 1 January 2020, the Company acquired, alongside the transfer of its UK business, the retained business of ELAS at a fair value of £4.5m. The principal activity of ELAS is the provision of life and pensions policies. ELAS is a UK private unlimited life assurance company without share capital and the registered office is Walton Street, Aylesbury, Buckinghamshire, HP21 7QW.

# Notes to the Financial Statements continued

## 13. Investments in subsidiaries continued

The below is a reconciliation of the movement in investment in subsidiaries during the year:

| | As at 1 January 2023 £m | Additions / investment £m | Disposal £m | Impairment £m | As at 31 December 2023 £m |
|---|---|---|---|---|---|
| **2023** | | | | | |
| **At cost** | | | | | |
| **Equitable Life Assurance Society** | **4.5** | **-** | **-** | **-** | **4.5** |
| **RMIS (RTW) Limited*** | **-** | **-** | **-** | **-** | **-** |
| | **4.5** | **-** | **-** | **-** | **4.5** |

| | As at 1 January 2022 £m | Additions / investment £m | Disposal £m | Impairment £m | As at 31 December 2022 £m |
|---|---|---|---|---|---|
| **2022** | | | | | |
| At cost | | | | | |
| Equitable Life Assurance Society | 4.5 | - | - | - | 4.5 |
| RMIS (RTW) Limited | - | - | - | - | - |
| | 4.5 | - | - | - | 4.5 |

*In the process of dissolution

The registered office of the above companies is Walton Street, Aylesbury, Buckinghamshire, HP21 7QW and all companies are incorporated in England and Wales.

Details of Group undertakings, all of which are domiciled in England, are:

| Company | Holding | Principal activity |
|---|---|---|
| Equitable Life Assurance Society (ELAS) | Direct | Life Insurance |
| RMIS (RTW) Limited | Direct | Member settlements |

The carrying value of subsidiaries is based on its cost less impairment. A review is undertaken on an annual basis to determine whether there are indications of impairment. This is done by comparing the carrying value of the recoverable amount.

## Notes to the Financial Statements continued

### 14. Financial investments

| | 2023 Market Value £m | 2023 Cost £m | 2022 Market Value £m | 2022 Cost £m |
|---|---|---|---|---|
| **Financial assets at fair value through profit and loss** | | | | |
| **Designated upon initial recognition** | | | | |
| **Shares and other variable yield securities and units in unit trusts** | **84.7** | **84.1** | 78.8 | 83.8 |
| **Debt securities and other fixed income securities** | **667.6** | **798.2** | 667.8 | 824.0 |
| **Derivative financial instruments *** | **3.8** | **13.6** | 4.4 | 14.4 |
| **Deposits with credit institutions** | **-** | **-** | 55.5 | 55.5 |
| **Total financial assets** | **756.1** | **895.9** | 806.5 | 977.7 |

*Mandatorily at fair value

**Derivative financial instruments**

Included within the Company's Financial Investments are a series of sterling receiver swaptions and equity hybrid receiver swaptions with a fair value of £3.8m (2022: £4.4m) that cost £13.6m (2022: £14.4m).

The contracts are not listed on a recognised exchange, but are valued at the amount at which the independent counterparty would be prepared to close out the options. Each series is exercisable on a single fixed date up until 2040. During 2023 two contracts matured realising a loss of £0.8m (2022: nil).

The effect of exercising sterling options at the exercise date would be to convert a fixed nominal amount of cash into a fixed-interest asset. In the case of the equity hybrid receiver swaptions, the amount of cash convertible into a fixed-interest asset varies proportionately with the FTSE 100 Total Return Index subject to certain minima and maxima at the date of exercise. The cash which would be used to fund the swaptions is the expected future coupon and redemption receipts from part of the fixed-interest portfolio.

Movements in fair value arise due to actual and perceived future movements in interest rates and the FTSE 100 Total Return Index and are reflected in the long-term business technical account. Fair value gain in the year amounted to £0.1m (2022: -£13.4m).

# Notes to the Financial Statements continued

## 15. Net assets held to cover linked liabilities

| | 2023 Market Value £m | 2023 Cost £m | 2022 Market Value £m | 2022 Cost £m |
|---|---|---|---|---|
| **Shares and other variable yield securities and units in unit trusts** | **4,490.5** | **4,129.9** | 4,515.2 | 4,411.8 |
| **Debt securities and other fixed income securities** | **-** | **0.2** | 0.2 | 0.2 |
| **Deposits with credit institutions** | **8.2** | **8.2** | 8.0 | 8.0 |
| **Cash and cash equivalents** | **1.3** | **1.3** | 3.7 | 3.7 |
| **Bank overdraft** | **(1.8)** | **(1.8)** | 0.0 | 0.0 |
| **Derivative financial instruments** | **(0.2)** | **-** | (0.3) | - |
| **Current assets** | **8.5** | **8.5** | 6.8 | 6.8 |
| **Net tax balances*** | **(0.5)** | **(0.5)** | 2.2 | 2.2 |
| **Other current liabilities** | **(6.4)** | **(6.4)** | (6.8) | (6.8) |
| | **4,499.6** | **4,139.4** | 4,529.0 | 4,425.9 |

*Included within 'net tax balances' is deferred tax of £4.6m (2022: £1.6m) relating to the future policyholder tax payable for capital gains made on the investments.

The net assets held to cover linked liabilities of £4,499.6m (2022: £4,529.0m) is equal to the net technical provisions for linked liabilities (net of reinsurance) of £4,495.5m (2022: £4,525.1m) and the value of outstanding claims of £4.1m (2022: £3.9m).

## 16. Debtors

| | 2023 £m | 2022 £m |
|---|---|---|
| **Amounts owed by Group undertakings** | **0.7** | 3.6 |
| **Debtors arising out of direct insurance operations** | **0.2** | 0.2 |
| **Debtors arising out of reinsurance operations** | **1.1** | 1.1 |
| **Current tax receivable** | **1.6** | 1.3 |
| **Deferred tax asset** | **1.9** | 1.9 |
| **Linked fund assets** | **5.7** | 5.5 |
| **Other debtors** | **1.0** | 1.3 |
| | **12.2** | 14.9 |

## 17. Cash at bank and in hand

| | 2023 £m | 2022 £m |
|---|---|---|
| **Cash at Bank** | **43.3** | 46.2 |

# Notes to the Financial Statements continued

## 18. Share Capital

Ordinary Shares of £1 each allotted and fully paid

| | Number | £m |
|---|---|---|
| **At 1 January 2023** | **100,000,000** | **100.0** |
| **At 31 December 2023** | **100,000,000** | **100.0** |

There is a single class of ordinary shares and there are restrictions on the distributions of dividends.

## 19. Dividends

| | 2023 £m | 2022 £m |
|---|---|---|
| **Ordinary share dividends paid in the year** | **60.0** | 70.0 |

## 20. Funds for Future Appropriation

| | 2023 £m | 2022 £m |
|---|---|---|
| **As at 1 January** | **61.2** | 67.4 |
| **Transfer from/(to) the Profit & Loss** | **1.2** | (6.2) |
| **As at 31 December** | **62.4** | 61.2 |

## 21. Technical Provisions

| **Technical provisions:** | 2023 £m | Restated[1] 2022 £m |
|---|---|---|
| **Gross technical provisions** | | |
| **Insurance contract liabilities** | **734.4** | 771.3 |
| **Investment contract liabilities** | **4.3** | 4.8 |
| | **738.7** | 776.1 |
| **Unit linked insurance contract liabilities** | **347.3** | 357.4 |
| **Unit linked investment contract liabilities** | **4,152.1** | 4,172.6 |
| | **5,238.1** | 5,306.1 |
| **Reinsurers' share of:** | | |
| **Insurance contract liabilities** | **160.8** | 178.2 |
| **Investment contract liabilities** | **1.4** | 1.4 |
| | **162.2** | 179.6 |
| **Unit linked investment contracts** | **3.9** | 4.9 |
| | **166.1** | 184.5 |
| **At 31 December** | **5,072.0** | 5,121.6 |

[1] Please refer to Note 4.

# Notes to the Financial Statements continued

## 21. Technical Provisions continued

| **2023 Movement during the year – Non-linked contract liabilities** | **Investment Contract Liabilities Gross** | **Investment Contract Liabilities Reinsurance** | **Insurance Contract Liabilities Gross** | **Insurance Contract Liabilities Reinsurance** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| **Restated bfwd at 1 January 2023** | **4.8** | **1.4** | **771.3** | **178.2** |
| **Policyholder premiums** | **-** | **-** | **9.7** | **18.7** |
| **Policyholder claims** | **(0.4)** | **-** | **(68.5)** | **(27.1)** |
| **Unwind of discount rates** | **-** | **-** | **35.0** | **5.7** |
| **Economic impacts, including economic assumption changes** | **-** | **(0.1)** | **14.2** | **2.3** |
| **Effect of change in non-economic assumptions** | **(0.1)** | **-** | **(18.5)** | **(15.4)** |
| **Model and methodology changes** | **0.1** | **-** | **(0.1)** | **-** |
| **Foreign exchange** | **-** | **-** | **-** | **-** |
| **Other** | **(0.1)** | **0.1** | **(8.7)** | **(1.6)** |
| **As at 31 December 2023** | **4.3** | **1.4** | **734.4** | **160.8** |

| **2022 Movement during the year – Non-linked contract liabilities** | **Restated[1] Investment Contract Liabilities Gross** | **Investment Contract Liabilities Reinsurance** | **Restated[1] Insurance Contract Liabilities Gross** | **Insurance Contract Liabilities Reinsurance** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| As at 1 January 2022 | 3.8 | 1.3 | 1,138.9 | 284.4 |
| Policyholder premiums | - | - | 12.2 | 19.6 |
| Policyholder claims | (0.4) | - | (68.7) | (30.1) |
| Unwind of discount rates | - | - | 1.0 | 0.3 |
| Economic impacts , including economic assumptions changes[1] | 4.3 | 1.5 | (296.7) | (88.5) |
| Effect of change in non-economic assumptions[1] | (2.3) | - | (7.6) | (6.2) |
| Model and methodology changes | (0.1) | (1.4) | 0.7 | 1.4 |
| Foreign exchange | - | - | - | - |
| Other[1] | (0.5) | - | (8.5) | (2.7) |
| As at 31 December 2022 | 4.8 | 1.4 | 771.3 | 178.2 |

[1] Please refer to Note 4. The line items highlighted relate to the restatement of non-linked contract liabilities of £3.3m, as explained in note 4.

# Notes to the Financial Statements continued

## 21. Technical Provisions continued

| Analysis of technical provisions | 2023 £m | Restated[1] 2022 £m |
|---|---|---|
| Movement in the period for gross technical provisions | **37.4** | 366.6 |
| Long-term business provision gross amount credit for the year | **37.4** | 366.6 |

[1] Please refer to Note 4.

| Reinsurance Balances | 2023 | 2022 |
|---|---|---|
| | £m | £m |
| Assets | **207.6** | 219.1 |
| Liabilities | **(45.4)** | (39.5) |
| | **162.2** | 179.6 |

**With-profits investment contracts**
Included within the long-term business provision are amounts of £4.7 m (2022: £5.5m) relating to liabilities under with profits investment contracts. These investment contracts contain a discretionary participatory feature in addition to guaranteed bonuses, in which the contract holders may participate in supplementary benefits arising from surplus assets within the relevant with-profits fund. The Company has the discretion within the constraints of the terms and conditions of the instruments and UK regulation, to allocate the surplus to the contract holders.

| 2023 Movement during the year – Linked contract liabilities | Investment Contract Liabilities Gross | Investment Contract Liabilities Reinsurance | Insurance Contract Liabilities Gross | Insurance Contract Liabilities Reinsurance |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Restated at 1 January 2023 | 4,172.6 | 4.9 | 357.4 | - |
| Policyholder premiums | 48.0 | - | 2.1 | - |
| Policyholder claims | (405.4) | (1.7) | (33.6) | - |
| Other changes in liabilities | (26.4) | - | (2.2) | - |
| Unwind of discount rates | - | - | - | - |
| Economic impacts, including economic assumption changes | 322.2 | - | 25.8 | - |
| Effect of change in non-economic assumptions | - | - | - | - |
| Model and methodology changes | - | - | - | - |
| Foreign exchange | - | - | - | - |
| Other | 41.1 | 0.7 | (2.2) | - |
| As at 31 December 2023 | 4,152.1 | 3.9 | 347.3 | - |

# Notes to the Financial Statements continued

## 21.Technical Provisions continued

| 2022 Movement during the year – Linked contract liabilities | Restated[1] Investment Contract Liabilities Gross | Investment Contract Liabilities Reinsurance | Restated[1] Insurance Contract Liabilities Gross | Insurance Contract Liabilities Reinsurance |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| As at 1 January 2022 | 5,023.8 | 5.2 | 428.2 | - |
| Policyholder premiums | 38.0 | - | 2.7 | - |
| Policyholder claims | (394.4) | (0.7) | (36.0) | - |
| Other changes in liabilities | (28.5) | - | (2.4) | - |
| Unwind of discount rates | - | - | - | - |
| Economic impacts, including economic assumptions changes[1] | (467.4) | - | (35.1) | - |
| Effect of change in non-economic assumptions | (0.1) | - | - | - |
| Model and methodology changes | - | - | - | - |
| Foreign exchange | - | - | - | - |
| Other[1] | 1.2 | 0.4 | - | - |
| As at 31 December 2022 | 4,172.6 | 4.9 | 357.4 | - |

[1] Please refer to Note 4. The adjustments highlighted relate to the restatement of linked contract liabilities between investment and insurance of £28.5m, as explained in note 4.

## 22. Claims outstanding

Included in outstanding claims balance of £27.8m (2022: £30.4m) are £4.1m (2022: £3.9m) of outstanding claims relating to unit linked liabilities.

## 23. Capital management (unaudited)

The Company is required to hold capital at a level of financial resources that do not fall below a minimum as determined in accordance with the PRA regulations and EU directives for insurance and other PRA regulated business.

For the purposes of determining its Regulatory Capital, the Company uses the Solvency II Standard Formula without adjustment. The appropriateness of the Standard Formula approach has been reviewed by management and actuarial functions and approved by the Board.

The capital of the Company comprises ordinary shares and retained earnings.

In order to reconcile capital or available financial resources on a UK GAAP accounting basis to a Solvency II basis, a number of adjustments are required. These adjustments include deductions for inadmissible intangible assets, valuation differences on policyholder liabilities (Solvency II only), and deferred tax arising on these adjustments. The following table sets out the reconciliation.

# Notes to the Financial Statements continued

## 23. Capital management continued

| | Total £m |
|---|---|
| Equity under UK GAAP at 31 December 2023 | 159.5 |
| Adjustment for Fund for Future Appropriations | 62.4 |
| Goodwill and Other Intangible Assets | (15.7) |
| Difference in asset valuations | 0.9 |
| Difference in the measurement of technical provisions | 83.3 |
| Difference in net deferred taxation liabilities arising from above | (31.6) |
| Solvency II Own Funds at 31 December 2023 | 258.8 |
| Restricted Own Funds | (10.7) |
| Solvency II Eligible Own Funds at 31 December 2023* | 248.1 |
| | |
| Solvency Capital Requirement at 31 December 2023* | 115.0 |
| Solvency Capital Coverage Ratio* | 216% |

*unaudited

| <u>Reconciliation of SII own funds to economic value</u> | Total £m |
|---|---|
| Solvency II Eligible Own Funds at 31 December 2023 | 248.1 |
| | |
| Risk margin for non profit funds | 18.0 |
| Matching adjustment for ring fenced funds restrictions | 10.7 |
| Reinsurance default adjustment | 1.9 |
| Contract boundaries | 2.1 |
| Economic Value at 31 December 2023 | 280.8 |
| Dividends paid for the period | 60.0 |
| Less: Economic value at 31 December 2022 | (313.5) |
| Movement in Economic Value for the year | 27.3 |

# Notes to the Financial Statements continued

## 23. Capital management continued

| | Restated[1] Total £m |
|---|---|
| Equity under UK GAAP at 31 December 2022 | 194.5 |
| Adjustment for Fund for Future Appropriations | 61.2 |
| Goodwill and Other Intangible Assets | (17.3) |
| Difference in asset valuations | 0.5 |
| Difference in the measurement of technical provisions | 47.0 |
| Difference in net deferred taxation liabilities arising from above | (21.2) |
| Solvency II Own Funds at 31 December 2022 | 264.7 |
| Restricted Own Funds | (4.7) |
| Solvency II Eligible Own Funds at 31 December 2022* | 260.0 |

[1]Please refer to Note 4.

| | |
|---|---|
| Solvency Capital Requirement at 31 December 2022* | 114.5 |
| Solvency Capital Coverage Ratio* | 227% |

*unaudited

[1]Please refer to Note 4.

| | Total £m |
|---|---|
| Solvency II Eligible Own Funds at 31 December 2022 | 260.0 |
| Risk margin for non profit funds | 44.2 |
| Matching adjustment for ring fenced funds restrictions | 4.7 |
| Reinsurance default adjustment | 2.4 |
| Contract boundaries | 2.2 |
| Economic Value at 31 December 2022 | 313.5 |
| Dividends paid for the period | 70.0 |
| Less: Economic value at 31 December 2021 | (368.5) |
| Movement in Economic Value for the year | 15.0 |

The level of capital (at both a sub-fund and overall Company level) required to maintain alignment with the Company's solvency related risk appetite limits provides a direct link between risk appetite and capital management. If the current level of capital cover falls below the target solvency cover ratios, this will indicate that the Company is outside risk appetite.

The approach to capital management is closely linked to the Company's risk appetite, since many of the most material risk exposures have the potential to lead to significant adverse capital impacts on its balance sheet. The Company considers its risk appetite in context of the Solvency II regulatory regime by maintaining a capital buffer above its Solvency II regulatory Solvency Capital Requirement ("SCR"). The SCR reflects a level of financial resources that enable insurance undertakings to absorb significant losses and provide reasonable assurance to its policyholders that payments will be made as they fall due.

The Company seeks to have a Solvency Capital Ratio (own funds/SCR) in excess of 135% at all times, and targets a Solvency Capital Ratio of at least 150% immediately after a payment of a dividend or loan interest.

# Notes to the Financial Statements continued

## 23. Capital management continued

The Company continually manages and monitors its capital position from a regulatory perspective, by reference to the performance of its assets and liabilities and by giving due consideration to:

(i) Its internal view of the operational and financial risks to which it is exposed (Note 5), both now and over the business planning period;
(ii) The capital needed to support delivery of the business plan and make progress towards the Company's long-term strategic objectives; and
(iii) Its regulatory capital requirements.

For further information on the Company's approach to risk and capital management and on its regulatory capital, see the 'Solvency & Financial Condition Report (SFCR)', which is available on the Company's website www.utmost.co.uk

## 24. Deferred taxation

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Deferred tax provisions:** | | |
| **Deferred tax liabilities (Note 25)** | **(0.2)** | - |
| **Deferred tax assets (Note 16)** | **1.9** | 1.9 |
| **Net deferred tax asset** | **1.7** | 1.9 |

The table below shows the principal components on which the deferred tax arises.

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Unused losses** | **1.8** | 1.6 |
| **Pension deficit** | **0.4** | 0.3 |
| **Acquired intangible asset** | **(0.8)** | (0.9) |
| **Other** | **0.3** | 0.9 |
| **Total provision for deferred tax** | **1.7** | 1.9 |

A deferred tax asset of £0.8m in respect of excess expenses was not recognised in 2022. All deferred tax assets are recognied in 2023 as their utilisation is now considered probable

Included within net assets backing linked liabilities is a deferred tax liability of £4.6m (2022: £1.6m) relating to future tax that may be payable on investment gains and losses.

## 25. Provisions for other risks and charges

| | Reinsurance Premium Refund<br>£m | Deferred Tax Liability<br>£m | Pension Mis-selling<br>£m | Total<br>£m |
|---|---|---|---|---|
| **1 January 2023** | **0.4** | **-** | **0.6** | **1.0** |
| **Amount debited/(credited) to Profit and Loss** | **(0.4)** | **0.2** | **(0.3)** | **(0.5)** |
| **31 December 2023** | **-** | **0.2** | **0.3** | **0.5** |

# Notes to the Financial Statements continued

## 25. Provisions for other risks and charges continued

| | Reinsurance Premium Refund £m | Deferred Tax Liability £m | Pension Mis-selling £m | Integration & Retention[1] £m | Total £m |
|---|---|---|---|---|---|
| 1 January 2022 | - | 7.5 | 1.5 | 0.5 | 9.5 |
| Amounts utilised during the year | - | - | - | (0.4) | (0.4) |
| Amount debited/(credited) to Profit and Loss | 0.4 | (7.5) | (0.9) | (0.1) | (8.1) |
| 31 December 2022 | 0.4 | - | 0.6 | - | 1.0 |

[1]This provision arose following the acquisition of ELAS, to support the integration of the business into the Company's existing infrastructure.

## 26. Creditors: amounts falling due within one year

| | 2023 £m | Restated[1] 2022 £m |
|---|---|---|
| **Creditors arising out of direct insurance operations** | **3.6** | 2.6 |
| **Creditors arising out of reinsurance operations** | **0.5** | 0.6 |
| **Amounts owed to group undertakings** | **0.3** | 0.2 |
| **Taxation and social security** | **5.8** | 6.0[1] |
| **Other creditors** | **0.8** | 1.1 |
| | **11.0** | 10.5 |

[1]Please refer to Note 4. Corporation tax and social security was previously reported as £6.6m, but was reduced by £0.6m due to the restatement detailed in note 4.

## 27. Post-employment benefits

Defined Benefit Scheme

On 1 April 2018, as part of the business transfer arrangements between RMIS and the Company, ULP became the principal employer to the Reliance Pension Scheme, RMIS's former defined benefit pension scheme. The scheme has been closed to future accrual since June 2010. The latest full valuation of the scheme was carried out as at 31 March 2022 and finalised in January 2023, and this resulted in the scheme showing a small surplus. Consequently, the Recovery Plan that was in place for the Company to pay deficit contributions, and which was due to run until September 2023, was cancelled, with the position to be reassessed following the 31 March 2025 valuation. During the year from 1 January to 31 December 2023 the Company made contributions of £0.1m solely in respect of administration fees, (2022 total contributions of £1.0m which included £0.8m for pension deficit funding).

# Notes to the Financial Statements continued

## 27. Post-employment benefits continued

The principal actuarial assumptions at the year-end were as follows:

| | 2023 | 2022 |
|---|---|---|
| | % | % |
| **Discount rate** | **4.6** | 4.9 |
| **RPI inflation rate** | **3.0** | 3.3 |
| **CPI inflation rate** | **2.7** | 2.9 |

| | | |
|---|---|---|
| **Pre and post-retirement mortality:** | **2023** | **2022** |
| **Base table** | **SAPS -S3** | SAPS -S3 |
| **Mortality projections** | **CMI 2022** | CMI 2021 |
| **Long term rate of improvement** | **1.25[Male]** | 1.25[Male] |
| | **1.25[Female]** | 1.25[Female] |

| | 2023 | 2022 |
|---|---|---|
| | Years | Years |
| **Life expectancies from age 65:** | | |
| **Male currently aged 65** | **21.7** | 22.2 |
| **Female currently aged 65** | **24.1** | 24.5 |
| **Male currently aged 45** | **22.9** | 23.5 |
| **Female currently aged 45** | **25.5** | 25.9 |

**Reconciliation of funded status to the Balance Sheet:**

| | 2023 | 2022 |
|---|---|---|
| | £m | £m |
| **Defined benefit obligation** | **(24.0)** | (24.3) |
| **Fair value of plan assets** | **22.6** | 23.6 |
| | **(1.4)** | (0.7) |
| **Onerous Liability** | **-** | - |
| **Net defined benefit liability** | **(1.4)** | (0.7) |

**Assets**

| | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| | £m | % weight | £m | % weight |
| **Diversified growth funds** | **6.6** | **29.1** | 7.3 | 31.1 |
| **Liability matching funds** | **15.7** | **69.7** | 16.1 | 67.9 |
| **Cash/other** | **0.3** | **1.2** | 0.2 | 1.0 |
| **Total** | **22.6** | **100.0** | 23.6 | 100.0 |

# Notes to the Financial Statements continued

## 27. Post-employment benefits continued

| Analysis of profit and loss charge | 2023 £m | 2022 £m |
|---|---|---|
| Net interest expense | 0.1 | - |
| Pension scheme expenses (excluding investment related expenses) | 0.2 | 0.2 |
| Past service cost | - | 0.2 |
| Total pension expense recognised in profit and loss | 0.3 | 0.4 |

| Reconciliation of defined benefit obligation over the year: | 2023 £m | 2022 £m |
|---|---|---|
| Defined benefit obligation at start of the year | (24.3) | (40.1) |
| Interest expense on defined benefit obligation | (1.2) | (0.8) |
| Remeasurement- effect of experience adjustments gain/(loss) | 0.6 | (1.3) |
| Remeasurement- effect of changes in financial assumptions (loss)/gain | (0.3) | 16.8 |
| Remeasurement- effect of demographic assumptions gain/(loss) | 0.4 | 0.5 |
| Benefits paid | 0.8 | 0.8 |
| Past service cost | - | (0.2) |
| Defined benefit obligation at the end of the year | (24.0) | (24.3) |

Reconciliation of fair value of plan assets over the year

| | 2023 £m | 2022 £m |
|---|---|---|
| Fair value of plan assets at the start of the year | 23.6 | 39.7 |
| Interest income on plan assets | 1.1 | 0.8 |
| Remeasurement (loss) on plan assets excluding interest income | (1.2) | (16.9) |
| Contributions by the Company | 0.1 | 1.0 |
| Benefits paid | (0.8) | (0.8) |
| Pension scheme expenses (excluding investment related expenses) | (0.2) | (0.2) |
| Fair value of plan assets at the end of the year | 22.6 | 23.6 |

| Remeasurements recognised in other comprehensive income (OCI) | 2023 £m | 2022 £m |
|---|---|---|
| Actuarial gain/(loss) due to experience on defined benefit obligation | 0.6 | (1.4) |
| Actuarial (loss)/gain due to changes in financial assumptions | (0.3) | 16.8 |
| Actuarial gain due to changes in demographic assumptions | 0.4 | 0.5 |
| Return on plan assets (less) than discount rate | (1.2) | (16.9) |
| Change in onerous liability excluding interest | - | 1.2 |
| Total remeasurement (loss)/gain recognised in OCI | (0.5) | 0.2 |

# Notes to the Financial Statements continued

## 27. Post-employment benefits continued

| Reconciliation of funded position | 2023 £m | 2022 £m |
|---|---|---|
| Net defined benefit liability at start of the year | (0.7) | (1.4) |
| Expense recognised in profit and loss | (0.3) | (0.4) |
| (Loss)/Gain recognised in OCI | (0.5) | 0.1 |
| Contributions by the Company | 0.1 | 1.0 |
| Net defined benefit liability at end of the year | (1.4) | (0.7) |

The Company is exposed to a number of risks relating to the pension scheme, 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 majority of 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.

**Sensitivities**

There are a number of actuarial assumptions included the calculation of the Scheme liability. Sensitivities to changes in the significant assumptions are presented below.

| Scenario | Impact on value of liability £m | |
|---|---|---|
| | Up | Down |
| Interest rates – up 100 bps/down 100 bps | (3.2) | 4.1 |
| Inflation – up 100 bps/down 100 bps | 2.2 | (2.1) |
| Mortality tables – add/subtract 10% to Male and Female multiplier | (0.5) | 0.5 |

Current ULP employees can contribute to a Defined Contribution scheme run by Legal & General Plc.

## 28. Capital and other commitments

| | 2023 £m | 2022 £m |
|---|---|---|
| The Company had the following future minimum lease payments under non-cancellable operating lease for each of the following periods | | |
| Not later than one year | 0.6 | 0.6 |
| Later than one year and not later than five years | 0.6 | 1.2 |
| | 1.2 | 1.8 |

# Notes to the Financial Statements continued

## 29. Related parties transactions

In accordance with Section 33 of FRS 102, the Company is exempt from disclosing related party transactions within other companies that are wholly owned within the Group. Excluding the parent company, there were no related party transactions with non-wholly owned companies with the Group.

No Directors nor senior managers were in receipt of loans from the Company at any time during the year.

## 30. Controlling party

The Company's immediate parent is Utmost Life and Pensions Holdings Limited, a direct subsidiary of Utmost Group plc (UGP), which is the Company's ultimate UK holding company.

The ultimate parent company which maintains a majority controlling interest in the Company is recognised by the Directors as OCM Utmost Holdings Limited: a Cayman Islands incorporated entity. Advantage has been taken of the exemption under section 33 of FRS 102 not to disclose transactions between entities wholly-owned within the UGP group of companies. OCM Utmost Holdings Limited is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management L.P (a subsidiary of the ultimate controlling party, Oaktree Capital Group LLC).

## 31. Contingent liabilities

There are no contingent liabilities. (2022: £nil).

## 32. Events after the reporting period

There are no events which have occurred after the reporting date but before the signing of these Financial Statements, which require amendment of any balances or further disclosure.