

Utmost Life and Pensions Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

2024



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Corporate Information

Directors

Chairman	Michael J Merrick
Chief Executive	Andrew M Stoker (appointed 1 January 2025) Stephen Shone (resigned 31 December 2024)
Chief Actuary	Robert A Kerry
Independent Non-Executive Directors	David M Baker Duncan A Finch Lord Daniel W Finkelstein (resigned 5 July 2024) Feilim Mackle Jeremy M Nurse (appointed 8 July 2024)
Group Non-Executive Directors	A Paul Thompson Ian G Maidens
Secretary	C Mark Utting

Independent Auditors

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Registered Address

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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 2024. The Directors have prepared the Financial Statements in accordance with United Kingdom Accounting Standards, including "FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and "FRS103 - Insurance Contracts" ("FRS 103").

Executive summary

"The story of 2024 has been one of successfully developing and launching our Bulk Purchase Annuity (BPA) proposition whilst consistently maintaining a strong focus on our existing customers.

We ended the year having transacted with two external pension schemes and actively pricing for further deals. To achieve our entry into the BPA market, we have built our internal teams during the year and worked closely with our trusted third parties to deliver the capacity and skills required.

For our existing customers, we have delivered high-quality performance and consistently out-performed service levels and quality measures. Much of this is down to our dedicated and caring staff from whom we continue to receive positive engagement results.

The external environment remains volatile with ongoing global geo-political tensions, not least following the 2024 presidential election in the US and continued unrest in Ukraine and the Middle East. Fund performance over 2024 remained strong.

Our strategy is clear. We plan to accelerate our growth in a highly attractive BPA market while simultaneously maintaining our cost efficient operations for our existing customers and delivering increased value to shareholders.

I am truly excited by the opportunity to lead the next phase of ULP's strategy."

Andrew Stoker - CEO

Key highlights for 2024 include the following:

- Maintaining a strong solvency capital position throughout 2024, ending the year with an unaudited solvency coverage ratio of 191% (2023: 216%), having also paid dividends of £50m (2023: £60m) to Utmost Group plc.
- Successfully launching our BPA proposition, culminating in two buy-in deals totalling £38m whilst also working towards a full buy-out of the Reliance Pension Scheme. We continue to develop our proposition and expect significant growth in the level of new BPA business during 2025.
- Delivering for our existing customers on a day-to-day basis, meeting all of our monthly service standards and continuing to deliver against the Consumer Duty regulations.
- Strong positive investment returns for customers on our core unit-linked funds. The Multi-Asset Moderate fund returned 10.2% (2023: 9.5%) in the year and the Multi-Asset Cautious fund returned 5.9% (2023: 6.3%).
- Supporting an increasing number of existing customers with our Drawdown and Pensions Consolidation propositions.
- Continuing to develop and deliver on our sustainability strategy, working with our strategic investment managers to manage our investment portfolio in line with our Responsible Investment policy and targets, including our 2050 net zero target for shareholder assets.

Overall, the company remains strong and resilient and, given the progress in 2024 along with the backing of the Utmost group of companies ("Utmost Group"), is in a unique position to grow the BPA business in line with its strategic plans. Further detail regarding the activities of 2024 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 new and existing customers due to our strong capital position and efficient operational management. Built upon the combined strengths of 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 and our recently launched BPA proposition is central to that goal. In conjunction with our ultimate UK holding company (Utmost Group plc), we will also continue to look for and evaluate further acquisition opportunities outside of the BPA market.

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, 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 very strong position to grow the business in line with our plans.

Our BPA plans

The UK's BPA market is very active with transaction volumes expected to remain high as defined benefit pension schemes seek to de-risk their liabilities, with market commentators suggesting premiums for the BPA market of £40bn to £50bn per annum for the next ten years.

During 2024, we have successfully launched our BPA proposition. In particular, we have:

- Appointed new leadership and built a team of over 20 people focussed on BPA;
- Developed our pricing models to allow us to be active in the market;
- Continued development of our administration proposition;
- Maintained engagement with regulators and obtained approval for updates to our Matching Adjustment portfolio;
- Continued to build relationships with Employee Benefit Consultants;
- Successfully secured two initial buy-in deals and worked towards full buy-out of the Reliance Pension Scheme.

ULP has built its BPA proposition by leveraging its existing insurance capabilities and particularly its experience of administering pension annuities for customers. BPAs will be administered in-house to ensure that we continue to deliver high quality customer service and, to this end, ULP has partnered with Mantle Services. Use of Mantle software facilitates an efficient process for pricing and onboarding BPAs and for migrating policies from buy-in to buy-out.

Strategic Report continued

Delivering on our BPA strategy also brings significant benefits to the wider business, including:

- Helping us to attract and retain good people;
- Providing an ongoing stream of new customers, which in turn, allows us to build economies of scale and enables us to maintain the good customer service that our existing policyholders are accustomed to.

In parallel with development of the proposition, ULP has been enhancing its risk and investment management capabilities commensurate with managing a large annuity portfolio. ULP's approach to managing the BPA liabilities is to hedge the risks associated with interest rates, inflation and currency through asset liability matching and use of derivatives. Assets backing the liabilities are invested in high quality corporate bonds, government bonds and cash and, working with third party investment managers, ULP is planning to expand cautiously into other illiquid assets over time as it develops scale. ULP has no plans to use funded reinsurance for BPAs but will look to reinsure longevity risk through longevity only reinsurance as the longevity risk exposure increases.

Our plan is to significantly grow the level of BPA business during 2025. This growth will be facilitated through access to capital from the Utmost Group and its shareholders. We see this growth as a key objective for 2025, providing an attractive proposition to pension schemes as well as helping Utmost to deliver on its growth strategy.

Review of the Business

Throughout 2024, we have actively executed our strategy, primarily through a combination of continuing to deliver for our existing customers and through launch 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

Consumer Duty regulations aim 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 our staff take pride in being able to provide a good customer service through:

- our helpful and accessible contact centre and customer teams;
- MyUtmost, our online portal for former Equitable customers;
- 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.

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.

Strategic Report continued

During 2024, we have seen a 56% increase in the numbers of existing customers setting up drawdown policies and consolidating their funds with us. 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) as well as the new BPA business.

Investment Performance

2024 was another good year for equity returns in general. This was primarily driven by continued strength in the US, particularly with the growth expectations of large tech companies and prospects of deregulation following the US election.

In contrast, bond market performance was much weaker. Although developed market central banks started to reduce interest rates, resilient growth and some inflationary pressures meant markets pared back their view on how quickly rates will be reduced with rising yields leading to much lower returns on global investment grade bonds over the year.

To provide context to our investment performance, we often find it helpful to look at various total return market indices. For instance, in 2024 the overall UK government bond market fell in value by 3.3% (measured by the FTSE Gilts index) and sterling corporate bonds saw a small increase of 1.7% (measured by the Markit IBoxx index). However, US large company equity increased in value by 27.0% in GBP terms (measured by the S&P 500) and the FTSE All Share (measuring UK equity performance) increased by 9.4% in 2024.

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 (which include a mixture of bonds and equity) saw strong positive returns for customers during 2024. The Multi-Asset Moderate Fund returned 10.2% (2023: 9.5%) in the year and the Multi-Asset Cautious fund returned 5.9% (2023: 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 in the top quartile for their peer group in 2024.

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 2024.

Some other customers are invested in a range of unit-linked funds provided by aberdeen (previously abrdn). The largest of these is the Managed Fund, which returned 9.1% (2023: 8.1%) after charges in 2024, above the median for the ABI peer group.

The non-linked portfolios of ULP (with an average credit rating of A+) are primarily long-term investments on a 'buy and hold' strategy, seeking to provide a high degree of cashflow matching to the underlying liabilities. During the year we transferred our existing non-linked annuity portfolio from Goldman Sachs Asset Management ("GSAM") to Schroders Investment Management Limited ("Schroders") and invested new assets from BPA deals with Schroders. We continue to work with both GSAM and Schroders to provide suitable assets to match against our non-linked liabilities.

Utmost Portfolio Management Limited, a fellow subsidiary of Utmost Group plc ("UGP"), manages the shareholder assets of the Company. Shareholder assets have performed above benchmark in 2024 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.

Strategic Report continued

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.

This year, our people, supported by ULP matched funding, have raised £13,600 for charities, as well as generous donations of goods such as foodbank items, Easter eggs and selection boxes for Young Carers Bucks. Teams and individuals also use 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 2024, we have continued to ensure that we have the necessary skills to operate and develop our business.

- We have welcomed 24 people to ULP this year, from diverse backgrounds and with a broad range of skills and talents capable of supporting success with new BPA business as well as our closed books of business.
- There have been 11 internal promotions as our growth strategy creates opportunities for career progression and continuous learning.
- Our 2024 employee engagement survey received a 91% response rate with an average positive score of 91% (2023: 93% response rate, 85% positive score). 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 people and, during the year, delivered this through a combination of briefings, training and education sessions, 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 in line with our Responsible Investments policy in selection and monitoring of assets to achieve our targets.

Further information on this topic is also provided in the ULP's Task Force on Climate-Related Financial Disclosures ("TCFD") report, as at 30 June 2024, which can be found on our website, utmost.co.uk.

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

Strategic Report continued

- ULP has committed to reducing the carbon emissions in its shareholder investment portfolio, including assets in the annuity portfolio backing the BPA business. 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, which is also covered in ULP's TCFD report.
- 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 UN Principles from Responsible Investment (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 2024, we have focused on embedding our responsible investment approach within the annuity and shareholder portfolios.

Further details on our responsible investment approach can be found in our Responsible Investment policy on our Group website utmostgroup.co.uk and within ULP's TCFD report on the ULP website, utmost.co.uk.

Our Strategic Partners

A number of strategic partners support us in delivering 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.

Over the past 18 months, we have selected new strategic partners to assist us in delivering our BPA proposition to market. These partners have been supporting us to build our administration capability, our pricing solution and provide the necessary asset and investment management capability.

In 2024, we have also entered into a new agreement with our strategic IT partner, Atos. This involves an 18-month programme to update and migrate our existing infrastructure from Atos datacentres into the Cloud. The programme is well underway with phased delivery during 2025. The result will be a more modern IT landscape with reduced reliance on one third-party.

MyUtmost was initially launched in 2022 to support former Equitable customers and we successfully launched a mobile app version earlier in 2024 to provide greater flexibility for this group of customers.

Our Regulators

We are subject to regulation across all the areas in which we operate and we seek to 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.

Strategic Report continued

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:

	2024	2023
Post tax profit	£26m	£25m
Solvency coverage ratio (unaudited)	191%	216%
Dividends*	£50m	£60m
Movement in Economic Value before dividends (refer to Note 22)	£16m	£27m
New business premiums	£114m	£38m

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

The unaudited Solvency Coverage Ratio at 31 December 2024 is stated after the payment of a £50m dividend during the year (2023: £60m).

The increase in Economic Value before dividends reflects beneficial market movements, in particular strong unit price increases driven by growth in global equity markets, a beneficial impact of the unwinding of discount rates and increased new business. This is partly offset by increased expenses due to growing the BPA business and non-economic assumption changes reducing the Economic Value, primarily as a result of changes to persistency assumptions.

Note that over the next few years, we do not anticipate paying material dividends as capital generated from the back book is likely to be re-invested to support the growth in BPA business. We therefore anticipate replacing dividends as a KPI with new business premiums, providing a measure of growth.

Key Results and Analysis of Performance

The Profit and Loss Account on pages 28 and 29 reflects an increase from a pre-tax profit of £33.2m in 2023 to £34.2m in 2024. The key drivers of this change were a change to the valuation interest rate assumption disclosed in Note 20, resulting in an increase in profit of £11.6m, offset by increased expenses as we grow our BPA business and upgrade our IT systems.

The Statement of Changes in Equity on page 33 reflects a decrease in the shareholders' equity from £159.5m to £135.5m driven by £25.7m post tax profit for the year and other comprehensive income of £0.3m, offset by the payment of two dividends, totalling £50m. Amounts owed between group entities are presented in Notes 15 and 25.

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 unaudited total available Own Funds for the year end 31 December 2024 were £225.4m (2023: £248.1m). The Company had an unaudited SCR of £117.8m at year end 2024 (2023: £115.0m), with an unaudited Solvency Coverage Ratio of 191% (2023: 216%).

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% after writing new BPA deals or after 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 primarily sterling denominated, investment grade securities. Following entry to the BPA market, the Company will extend the use of financial instruments, primarily inflation swaps, to help hedge the risks associated with inflation-linked annuity liabilities. 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.

Strategic Report continued

Taxation

As a proprietary life assurance company, the Company was subject to UK corporation tax at two rates during 2024. Firstly, UK corporation tax rate on the profits earned by its shareholders from conducting life assurance business at a rate of 25% in 2024. 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 £8.5m (2023: tax charge of £7.8m). The total tax charge of £8.5m consists of a charge of £7.8m (2023: tax charge of £6.3m) on the balance of the long-term business technical account and a £0.7m tax charge (2023: tax charge of £1.5m) on shareholder investment return and charges. The primary driver of the increased tax charge in 2024 was the higher level of profit by the Company in the long-term business (2024: £31.3m, 2023: £26.9m) partially offset by a reduction in investment performance of shareholder assets and an increase in the Corporation tax rate from 23.5% to 25%.

The external environment

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

- Political and macroeconomic: Continued focus on the economic impacts of geo-political uncertainty, particularly following the 2024 Presidential election in the US and the conflicts in Ukraine/Russia and in the Middle-East;
- Regulation: including the potential for further changes to pensions legislation by Government;
- Advancements in technology: Including the increasing use of Artificial Intelligence and the expectation by customers for ever-increasing speed/convenience of services; 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 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.

As part of the ERM Framework, where appropriate, risks are quantified and subject to stress tests and scenario analysis. Non-quantifiable risks are also considered 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. Looking forwards, significance of inflation risk will grow as Bulk Purchase Annuity exposure grows.
Underwriting risk	Primarily in the form of persistency, expense, and longevity risks and the take up of guaranteed options.
Credit risk	Primarily from spread and default risk on 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.

Strategic Report continued

In addition, as we grow our BPA Portfolio, the significance of liquidity risk will increase over time.

Market Risks

Equity risk associated with unit-linked business is significant because it can lead to a reduction in the amount received from annual management charges ("AMCs"), a key source of future income for the Company. As the Company progresses its BPA new business strategy, there will be an increase in interest rate exposure, which will be controlled through close asset-liability management of the Matching Adjustment Portfolio.

Over the past year, inflationary pressures that were particularly elevated in 2022 and 2023 have lessened, but nevertheless continue to impact the economy. For ULP, inflationary impacts have historically related to only a small number of inflation-linked benefits (primarily funeral plans and inflation-linked annuities). However, looking ahead, it is common for a proportion of BPA benefits to be inflation-linked. We will continue to manage this risk exposure in line with our risk appetite as our BPA business grows through asset and liability matching and appropriate risk mitigation techniques. Whilst inflation has reduced in 2024, we will continue to monitor the impacts of both inflation and recessionary pressures and manage the risks appropriately.

Underwriting Risks

Persistency risk associated with unit-linked business continues to be a significant risk because high lapses can reduce the amount received from AMCs. High lapses also reduce the number of policies over which to spread overhead costs.

The next largest underwriting risk after persistency, is expense risk. As the number of with-profits and unit-linked 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 through BPA transactions or as a result of other acquisitions. In the absence of future additional policies, there would be a risk that diseconomies of scale could require additional cost savings to be made, which may make it challenging to retain talent. A key part of the business strategy is to write profitable BPA new business. This will involve continuing to grow certain capabilities over time, whilst identifying further opportunities to improve the efficiency and reduce costs in an appropriate and sustainable manner. The other main aspect of expense risk is keeping costs within budget and controlling the increase in costs, including when there are wider inflationary pressures.

As the Company progresses its BPA new business strategy, longevity risk will grow, which will be managed in line with the Company's reinsurance strategy and longevity risk appetite. There are also risks associated with policyholder options, such as take up rates for Guaranteed Annuity Options on certain existing business, and for new BPA business there will be the option to take a portion of benefits as cash. Appropriate assumptions are set and kept under review to reflect this policyholder behaviour.

Credit Risk

The Company is exposed to spread and default risk from its bond holdings and defaults from other counterparties, such as reinsurers. These are managed through the regular review of assets with investment managers, the setting of investment guidelines and the monitoring of credit ratings of reinsurers. Credit (and market) risk management practices will continue to evolve as we grow the portfolio of assets backing BPA business.

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 inherent risk of a cyber-attack continues to increase, with attackers becoming increasingly more sophisticated. Any failure of ULP's IT systems could have a significant impact on operations.

The management of Cyber Risk within the Company is primarily the responsibility of our IT Director, with support from a central Utmost Group Information Security team. Cyber Risk is governed through monthly group-wide information security meetings, regular meetings of an executive level Operations Security and Cyber Group, and through reporting to our Risk and Compliance Committee.

Strategic Report continued

The Company also 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 works closely with the Utmost Group Information Security team who provide an additional layer of oversight on information security and cyber risks across the Utmost Group. ULP assesses 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 in place since 2023 to cover cyber and information security risks. Looking ahead, ULP is progressing a migration to the Cloud in 2025, which is expected to improve aspects of its operational resilience.

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 the investigation and resolution of a cyber-attack.

The Company aims 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, we have progressed our Operational Resilience programme over 2024, which has enabled us to continue to meet key regulatory requirements; 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.

Climate Change and wider ESG Risks

In addition to the four principal risks above, climate change and wider ESG risks are likely to increasingly impact the Company in the coming years. The expectations with regards to the management of climate change risk increase over time. We continue to work with Utmost Group to further develop our risk management framework and scenario analysis in this regard.

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

- Effective management and oversight from the Board;
- Inclusion of climate risk 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.

Geo-political risks

In 2025, geo-political risks look likely to remain high with the Middle-East conflict, the continuing Russia-Ukraine war and political change and uncertainty in a number of countries.

Geo-political risks can have significant impacts on the global economy, particularly through the impact of material fluctuations in commodity prices, disruption to supply chains, barriers to free trade, and monetary policy.

Given our exposure to equity markets for our future income on unitised business, 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, through a combination of holding appropriate levels of capital for equity risk exposure and keeping our risk appetite for market risk exposures under regular review.

Strategic Report continued

BPA risks

Having entered the BPA market in 2024, the Company's risk profile will evolve.

The investment strategy associated with BPA business will lead to a wider pool of assets being used by the Company and so credit risk is likely to increase. Taking on more annuity business is also likely to increase the longevity component of underwriting risk. As BPA business increases, expense risk as a proportion of total risk is expected to reduce with expenses spread across a larger number of policies. The assessment of the risks associated with the BPA business is now embedded within the Enterprise Risk Management Framework summarised above.

Climate-Related Disclosures

Consistent with our strategy to deliver good customer outcomes, we consider dealing with the response to the challenges posed by climate-related risk will be fundamental. In the short term, the Company may face reputational damage and could see an increase in policyholder lapse rate, or be unable to attract new BPA business, 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 which requires that all ESG risks are identified and managed appropriately. 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 CO₂ and other greenhouse gases (CO₂e), across both physical risks like rising sea levels and extreme weather events, and transition risks, which encompass risks related to the transition to a lower carbon economy.

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 2024 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 and legal challenges due to lack of action,
- Market – stock and bond attractiveness depending on their exposure to climate risk and ability to manage and mitigate it;
- Reputation – increased stakeholder concern or negative stakeholder feedback if not acting swiftly enough or failing to follow published principles; and
- Customer –changing customer behaviour.

Physical Risks:

- Acute – event-driven e.g. increased severity of extreme weather events; and
- Chronic - Changes and extreme variability in longer term 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. ULP has exposure to transitional risk via its investment portfolio. The business is predominantly unit-linked with limited guarantees, so the Company will be impacted by a reduction in charges should the underlying policyholder investments reduce in value. The portfolio will also increasingly be exposed to transitional risks through its investment portfolio as the size of the annuity book grows in line with the business plan to grow the BPA business.

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 2024

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 2024, decisions have been made in line with achieving our strategic aims and objectives as set out earlier in the strategic report. This includes the decision to move into the BPA market, including approval of a detailed independent readiness review, new governance arrangements, and the selection of new strategic partners for our investment management and operational administration capabilities, as well as subsequent agreement to enter into specific BPA transactions. Alongside this, the Board committed to plans to make significant changes to enhance and future-proof our IT infrastructure.

Key financial decisions made during the year included the declaration and payment of two dividends, totalling £50m, 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	<ul style="list-style-type: none"> - The Board regularly receives and monitors reporting on the service provided to our customers, as well as details of any customer-focused initiatives, to ensure that we continue to meet acceptable service levels at all times. - The Board engages frequently with senior leadership, as well as the firm's investment management partners, to understand and track our investment performance. - The Board oversees any material IT developments which allow us to update and improve our proposition to customers. - Examples of areas of Board focus in 2024 also included close engagement on implementing the requirements of the FCA Consumer Duty regulations, with a first annual assessment of compliance produced for approval, monitoring work in relation to the retention of customers, and meeting operational resilience regulatory requirements to ensure we can continue to provide our most important business services to customers in the event of operational disruption. <p>More details of these and other areas of focus are included in the 'Stakeholders – Customers' section of this report.</p>
Pension Scheme Trustees and Employee Business Consultants ("EBCs")	<ul style="list-style-type: none"> - The Board has received updates on our engagement with Trustees and EBCs as part of our entry into the BPA market. In 2024, Board have been particularly active in monitoring progression into the market and agreeing relevant governance frameworks to support our new business pricing.
People	<ul style="list-style-type: none"> - The Board engages with our people through regular informal meetings and internal communications on a wide range of topics. - ULP carry out regular employee engagement surveys and act on findings. - Together with our ultimate UK parent company, we provide volunteering opportunities. - This year, a continued focus for the Board included decisions on 2024 pay awards, in the light of the ongoing cost of living challenges and the need to control costs.

Strategic Report continued

Stakeholder (cont)	How we engaged them (cont.)
Strategic Partners	<ul style="list-style-type: none"> - Members of the Board maintain oversight of the management of our main Strategic Partners, and our senior management regularly review and report on performance. - We have been pleased to extend and enhance our strategic partnerships in 2024 as a result of the successful entry into the BPA market. - More details of this are included in the 'Stakeholders – Strategic Partners' section of this report.
Communities	<ul style="list-style-type: none"> - ULP is engaged in becoming resilient against climate change, and to promote a working environment which support this, through the Sustainability Strategy. In 2024, 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	<ul style="list-style-type: none"> - The Board maintains an open and engaged relationship with our regulators. - The directors meet regularly with them, and 2024 included discussions around our BPA proposition and associated Matching Adjustment Application.
Shareholders	<ul style="list-style-type: none"> - The Board engages regularly with its shareholder, and is consistently focused on generating a successful outcome for this stakeholder. - The Board makes key financial decisions in relation to payment of dividends and deployment of capital for new business.

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 an excellent performance in 2024. We have continued to focus on our customers, consistently meeting service levels and quality measures whilst also receiving strong employee engagement results. We have maintained a strong and resilient Balance Sheet, whilst also delivering £50m of dividends to our shareholder. And we have successfully entered the BPA market, developing an attractive and competitive proposition and generating new business premiums of £38m.

As we look ahead through 2025 and beyond, we will build on what we have achieved in 2024 so that we can deliver on our growth ambitions in the BPA market - a target market share of over 5% within five years. At the same time, we will maintain our focus on cost efficient, high quality operations for our existing customers and delivering increased value to shareholders.

Finally, I would like to take this opportunity to thank our staff for their continuing contribution. Our performance in 2024 was a testament to their commitment and thanks to them, I am confident that in 2025 we will help more pension schemes to de-risk whilst maintaining a strong focus on our existing customers.



Andrew M Stoker
Chief Executive
3 April 2025

Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2024.

Principal activities

The principal activity of Utmost Life and Pensions Limited is the provision of life and pensions policies, obtained through a strategy of acquiring and consolidating businesses in the United Kingdom, including Bulk Purchase Annuity "BPA" business, following the Company's successful entry into the BPA market in 2024.

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:	Andrew M Stoker, Chief Executive (appointed 1 January 2025) Stephen Shone, Chief Executive (resigned 31 December 2024) Robert A Kerry, Chief Actuary
Independent Non-Executive Directors:	David M Baker Duncan A Finch Lord Daniel W Finkelstein (resigned 5 July 2024) Feilim Mackle Jeremy M Nurse (appointed 8 July 2024)
Group Non-Executive Directors	A Paul Thompson Ian G Maidens
Company Secretary	C Mark Utting

Directors' Interests

As at 31 December 2024, 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 28 to 67. 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.

Report of the Directors continued

The Directors have assessed the principal risks and uncertainties discussed in the Strategic Report on pages 3 to 15, including the current economic climate. 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.

Review of the business

Key events during the year include:

- Delivering for our customers on a day to day basis, meeting all customer service standards and delivering on new Consumer Duty regulations;
- Creating our BPA proposition and successfully completing our first transactions.

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 £34.2m, an increase of £1.0m from 2023 pre-tax profit of £33.2m. In 2024, interim dividends totalling £50m were paid (2023: £60m).

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 4 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, UGP, and has covered all subsidiaries in the Group, as permitted by the Companies Act 2006.

Streamlined Energy and Carbon Reporting (SECR)

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, UGP.

Post Balance Sheet Events

There are no adjusting or non-adjusting post balance sheet events between 31 December 2024 and the approval of the Report and Accounts of the Company which require disclosure.

Political and Charitable Donations

The Company made no political donations during 2024 (2023: £nil). Charitable donations for matched funding of people initiatives totalled £1,550 (2023: £1,600).

Report of the Directors continued

Pension Schemes

The Company operates a defined contribution pension scheme for the employees of ULPS. In addition, the Company has continued to sponsor the Reliance Pension Scheme ("RPS"), a defined benefit scheme which closed to future accruals for the majority of members in 2010, with the last active member ceasing to accrue benefits from 31 December 2015. During 2024 the Company entered into negotiations with the Trustee of RPS with a view to buying out the scheme's remaining liabilities. Following the successful completion of these negotiations, legal agreements were signed in February 2025 which committed both parties to working towards a full buy-out later in 2025.

Independent Auditors

Forvis Mazars LLP were appointed as the Company's auditor with effect from the financial year ending 31 December 2024, replacing the previous auditors, PricewaterhouseCoopers LLP (PwC).

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", FRS 103 "Insurance Contracts", 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 and FRS 103 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.

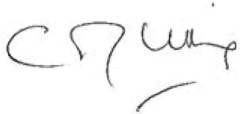
Report of the Directors continued

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
3 April 2025

Independent auditor's report to the members of Utmost Life and Pensions Limited

Opinion

We have audited the financial statements of Utmost Life and Pensions Limited (the 'company') for the year ended 31 December 2024 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtain the Directors' going concern assessment, including the business plan, covering 12 months from the date of signing the audit opinion;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their business plan, by reviewing supporting and contradictory evidence in relation to these key assumptions;

- Considering the directors' assessment of the liquidity position and regulatory solvency coverage in the forward looking scenarios considered, which have been derived from the company's Own Risk and Solvency Assessment;
- Assessing the directors' consideration of stress and scenario testing by challenging the appropriateness of the selected variable and the sensitivity of the stress scenarios;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) we identified, 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 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.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p>Valuation of long-term business provision – annuitant mortality assumptions</p> <p>Included in the gross long-term business provision £658.1 million (2023: £738.7 million)</p> <p><i>Refer to Note 20. Technical Provisions, to the financial statements. The accounting and risk management policies are set out in Note 2. Summary of significant accounting policies, and Note 4. Financial risk management, respectively, with insurance risk being discussed in Note 4a.</i></p> <p>Annuitant mortality assumptions are an area of significant management judgement, due to the</p>	<p>In conjunction with our actuarial specialists, we performed the following to test the annuitant mortality assumptions (including base mortality assumptions, future mortality improvements):</p> <ul style="list-style-type: none"> • We gained an understanding of the methodology, process and governance over the setting of annuitant mortality assumptions; • Evaluated the design and implementation of the key controls; • Validated the appropriateness of the data, models, and methodology used to perform the annual experience studies, including the Continuous Mortality Investigation ("CMI") model selection and parameterisation used to model mortality improvements; and

<p>inherent uncertainty involved. Whilst the company manages the extent of its exposure to annuitant mortality risk through reinsurance, we consider these assumptions underpinning gross insurance contract liabilities to be a key audit matter given the company's exposure to a large volume of annuity business.</p> <p>The annuitant mortality assumption has two main components:</p> <ul style="list-style-type: none"> • The base mortality assumption which reflects management's estimates of current levels of mortality and involves reliance on internal experience analysis with various management judgements applied; and • The rate of mortality improvements which reflects management's estimates of how much mortality rates will change across future projection periods and is inherently subjective. 	<ul style="list-style-type: none"> • Validated the appropriateness of areas of expert judgements used in the development of the mortality improvement assumptions. <p>Our observations</p> <p>Based on these procedures, we consider the annuitant mortality assumptions used to value the long-term business provisions to be appropriate.</p>
<p>Valuation of long-term business provision – expense assumptions</p> <p>Gross long-term business provision £658.1 million (2023: £738.7 million)</p> <p><i>Refer to Note 20. Technical Provisions, to the financial statements. The accounting and risk management policies are set out in Note 2. Summary of significant accounting policies, and Note 4. Financial risk management, respectively, with insurance risk being discussed in Note 4a.</i></p> <p>The company's financial statements include reserves for the estimated future expenses that would be incurred in maintaining the in-force policies at the balance sheet date over their duration. Such liabilities are included within the insurance contract liabilities for the company.</p> <p>The expense assumptions made are a significant area of risk. The expense assumptions are calculated using significant judgement, in particular over removal of designated 'one-off' costs and achieved cost savings, together with the cost allocations between acquisition and maintenance and then between products groups (as different products have different expected durations i.e. the 'capitalisation factors'). The estimated unit cost is calculated as allocated maintenance expense over policy in force. As such, the methodology and assumptions have a significant impact on the</p>	<p>In conjunction with our actuarial specialists, we performed the following to test the expense assumptions:</p> <ul style="list-style-type: none"> • We gained an understanding of the methodology, process and governance over the setting of expense assumptions; • Evaluated the design and implementation of the key controls; • Validated the completeness and accuracy of the total expense base and the allocation of expenses to the appropriate cost centres; • Performed data testing over the completeness of the policies-in-force and assessed the historical accuracy of policy in-force counts by performing a retrospective review of the historical budgeted counts and actual counts; • Assessed the historical accuracy of forecasts prepared by performing a retrospective review of the historical budgeted costs and actual costs; • Assessed the appropriateness of significant judgements made in the application of the methodology, including excluded costs, the allocation of expenses between acquisition and maintenance costs, the allocation between products and the capitalisation factors; • Recalculated the unit costs for products and traced supporting calculations through management's workings to ensure mathematical accuracy;

insurance contract liabilities.	<ul style="list-style-type: none"> Assessed the methodology used to derive the assumptions through consideration of relevant rules and actuarial guidance and by applying our industry knowledge and experience; and Assessed the appropriateness of the expense inflation assumptions relative to market experience and external indices, where relevant. <p>Our observations</p> <p>Based on these procedures, we consider the expense assumptions used to value the long-term business provisions to be appropriate.</p>
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Our application of materiality and an overview of the scope of our audit

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 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 materiality	£3,962,000
How we determined it	2% of net assets
Rationale for benchmark applied	<p>In determining our materiality, we considered the financial metrics we believe to be most relevant to the members of the company, as a body. Members' interests in the company are represented primarily by net assets, as this drives the company's ability to generate surplus and pay dividends, and this is the primary measure used by the relevant stakeholders in assessing performance.</p> <p>The company also issues unit-linked policies, which form a significant part of the book of business in terms of value. As a result, technical provisions are covered by assets held to cover linked liabilities and return on investment contracts derived on the assets, which is offset by the change in policyholder liabilities under investment contracts. In order to comply 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 in order to identify and evaluate the effect of misstatements that are likely to only lead to a reclassification between line items within assets and liabilities. This materiality is based on 2% of unit-linked assets.</p>

Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.</p> <p>We set performance materiality at £1,585,000, which represents 40% of overall materiality.</p> <p>The primary factors we considered in determining the level of performance materiality include our understanding of the company's control environment, the fact that this was a first year audit engagement, our understanding of the errors detected in previous audits by the predecessor auditor and our expectation of the number of errors in the current year audit.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £119,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.</p>

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Strategic Report and the Report of the Directors other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: breaches of the regulatory requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and the FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006, UK tax legislation and pension legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to those areas as shown in our key audit matters, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Critically assessing accounting estimates impacting amounts included in the financial statements for evidence of management bias;
- Identifying and testing journal entries, in particular any journal entries posted which meet our high-risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of material and immaterial financial statement line items; and
- Considering significant transactions outside the normal course of business. Our approach included attendance at all Audit Committee meetings as well as reviewing other relevant committee meeting minutes and correspondences with regulators.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 7 December 2023 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement is 1 year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Lionel Cazali (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey, London, England, EC4M 7AU
3rd April 2025

Profit and Loss Account

For the year ended 31 December 2024

Technical account – long-term business	Notes	2024 £m	2023 £m
Gross premiums written	5	51.1	12.2
Outward reinsurance premiums		(17.7)	(18.7)
Earned premiums, net of reinsurance		33.4	(6.5)
Investment income ¹	6	217.2	154.8
Unrealised gains on investments	6	218.9	284.2
Investment return		436.1	439.0
Other technical income	7	29.9	30.0
Total income		499.4	462.5
Claims incurred, net of reinsurance			
Claims paid gross amount		(111.1)	(103.9)
Claims paid reinsurers' share		27.1	27.1
		(84.0)	(76.8)
Change in provision for claims			
Gross amount		0.9	1.0
Total claims incurred		(83.1)	(75.8)
Change in other technical provisions, net of reinsurance			
Long-term business provision gross amount	20	80.6	37.4
Long-term business provision reinsurers' share	20	(15.1)	(17.4)
		65.5	20.0
Change in technical provision for linked liabilities, net of reinsurance	20	(418.9)	(352.9)
		(353.4)	(332.9)
Net operating expenses	8	(25.0)	(18.0)
Other technical charges		(0.2)	0.0
Investment expenses and charges		(3.4)	(3.5)
Tax attributable to the long-term business	10	(11.0)	(10.5)
Transfer from/(to) the fund for future appropriations	19	0.2	(1.2)
Balance on the technical account - long-term business		23.5	20.6

¹⁾ Investment income includes realised gains on assets sold, YE23 this was shown as a separate line item

Profit and Loss Account

For the year ended 31 December 2023

Non-technical account	Notes	2024 £m	2023 £m
Balance on the long-term business technical account		23.5	20.6
Tax credit attributable to balance on long-term business technical account	10	7.8	6.3
Shareholders' pre-tax profit from long-term business		31.3	26.9
Investment income ¹	6	3.8	3.9
Unrealised gain on Investments	6	0.8	4.1
Other charges	7	(1.7)	(1.7)
Profit on ordinary activities before tax		34.2	33.2
Tax on profit on ordinary activities	10	(8.5)	(7.8)
Profit after tax for the year		25.7	25.4

¹⁾ Investment income includes realised gains on assets sold. For YE23 this was shown as a separate line item.

Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Profit for the financial year		25.7	25.4
Other comprehensive income/(expense)			
Remeasurements of net defined benefit obligations	26	0.4	(0.5)
Total tax on components of other comprehensive (expense)/income		(0.1)	0.1
Other comprehensive income/(expense) for the year, net of tax		0.3	(0.4)
Total comprehensive income for the year		26.0	25.0

Balance Sheet

As at 31 December 2024

	Notes	2024 £m	2023 £m
Assets			
Acquired value of in-force business	11	90.6	100.4
Negative goodwill	11	(76.7)	(84.7)
Intangible assets		13.9	15.7
Investments in group undertakings and participating interests	12	4.5	4.5
Other financial investments	13	639.8	756.1
Assets held to cover linked liabilities	14	4,485.2	4,499.6
Reinsurers' share of long-term business provision	20	187.4	207.6
Reinsurer's share of linked liabilities	20	3.2	3.9
Debtors	15	16.1	12.2
Cash at bank and in hand	16	73.5	43.3
Prepayments and accrued income		11.2	11.1
Total assets		5,434.8	5,554.0

Balance Sheet

As at 31 December 2024

	Notes	2024 £m	2023 £m
Equity and liabilities			
Capital and reserves			
Share capital	17	100.0	100.0
Profit and loss account		35.5	59.5
Total equity		135.5	159.5
Fund for future appropriations	19	62.2	62.4
Technical provisions			
Long-term business provision	20	658.1	738.7
Long-term reinsurance business provision	20	40.3	45.4
Claims outstanding	21	23.5	27.8
		721.9	811.9
Technical provisions for linked liabilities	20	4,484.3	4,499.4
Provisions for other risks	24	9.3	0.5
Deposits received from reinsurers		2.6	3.1
Creditors: amounts falling due within one year	25	9.5	11.0
Accruals and deferred income		8.4	4.8
Total liabilities excluding pension scheme net liability		5,298.2	5,393.1
Defined benefit pension net liability	26	1.1	1.4
Total liabilities		5,299.3	5,394.5
Total equity and liabilities		5,434.8	5,554.0

The notes on pages 34 to 67 form an integral part of these financial statements. The Financial Statements were approved by the Board of Directors on 3 April 2025 and were signed on its behalf on 3 April 2025 by:



Andrew Stoker
Director

Statement of Changes in Equity

For the year ended 31 December 2024

	Called up share capital £m	Profit and loss account £m	Total £m
Balance as at 1 January 2023	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
Profit after tax	-	25.7	25.7
Other comprehensive income for the year	-	0.3	0.3
Total comprehensive income for the year	-	26.0	26.0
Dividends paid	-	(50.0)	(50.0)
Balance as at 31 December 2024	100.0	35.5	135.5

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, England.

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 (dissolved in 2024) and The Equitable Life Assurance Society ("ELAS"), are included in the group Financial Statements of 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 28 to 67. 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 account 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 assessed for impairment annually and only tested for impairment if conditions exist as set out in FRS 102. Testing for impairment is 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 impairment, 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 – at 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

(i) Financial assets – Fair Value through Profit and Loss

Upon initial recognition financial investments are recognised at fair value. 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 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 4.

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.

(ii) 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.

(iii) 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.

The Company policy on derecognition of financial assets is to only derecognise when it is deemed that substantially all the risks and rewards of ownership have been transferred.

(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(i)).

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

(i) 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 (as restated and applicable in the UK) 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 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.

(ii) 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 include amounts in respect of index-linked annuity contracts and unit-linked contracts which principally involve the transfer of financial risk (see Note 20).

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.

(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

All leases are classified as operating leases. The Company held 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 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 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 fund policyholders 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(h) and 2(i) and sensitivities arising from significant non-economic assumptions are detailed in Note 4.

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.

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.

(c) Defined benefit pension scheme

The valuation of defined benefit pension scheme liability (resulting in either a surplus or deficit on the scheme) 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, that result from the process incorporates a number of assumptions including discount rates, inflation rates, and expected future mortality. As a consequence, the eventual claims could vary from the amounts provided to cover future claims. Sensitivities are detailed in Note 26.

4. 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:

- 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 in-force book of in-payment annuities, and this will grow as the Company progresses its BPA new business strategy.

Notes to the Financial Statements continued

4. Financial risk management continued

The Company manages these risks by:

- Setting and monitoring appropriate risk appetite limits;
- Monitoring the amount of capital it holds;
- Use of reinsurance, in line with the reinsurance strategy;
- 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 sensitivities on pre-tax profits:

Sensitivities	2024	2023
	Profit / (Loss) £m	Profit / (Loss) £m
Additional 5% in GAO take-up rates	(0.3)	(0.6)
10% decrease in mortality rates¹	(6.4)	(6.9)²
10% increase in expenses	(3.1)	(3.4)

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

2) 2023 longevity sensitivity has been restated to ensure consistency with sensitivities shown for 2024. The figure previously considered the impact on the modelled reserves only, restated figures show the impact on total reserves including the impact on the negative elimination adjustment.

The Company does not currently carry out any formal investigation into or analysis of concentrations of underwriting risk, on the basis that these are not considered to be material. In particular, the Company does not believe that the current in-force book contains any material concentrations of policyholders by location, health, lifestyle or socio-economic group.

Governance framework

The Board sets the risk appetite for insurance risks, and approves the business plan which is set consistently with risk appetite. Insurance risk is overseen by Risk and Capital Committee ("RCC"), which recommends to the Board the appetite for any new insurance risks, including any changes in strategy which may impact insurance risk. The performance of the in-force book is monitored by the RCC. 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 selection of business and 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, changes due to equity risk, and any net exposure to currency exchange rates. It is recognised that market risk is part of managing the portfolios and that a certain level of market risk is acceptable, and as the company pursues its BPA strategy this will increase exposure to inflation-linked liabilities.

Notes to the Financial Statements continued

4. Financial risk management continued

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. The Company receives Annual Management Charges ("AMCs") on the unit-linked and with-profits business that are deducted from policies to meet the expenses of the Company. The level of these charges depends on the funds under management and is sensitive to the market value of assets, which gives rise equity risk exposure.

The table below illustrates the impact on the change in net assets:

Sensitivities	2024	2023
	Profit / (Loss) £m	Profit / (Loss) £m
1% increase in interest rates	0.3	1.8
1% decrease in interest rates	(2.1)	(2.6)
20% fall in the value of non-sterling holdings	(1.7)	(1.1)
10% decrease in equity and property values	(1.0)	(0.6)

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;
- reduction in value of assets, due to an increase in yields on fixed income assets
- impact to solvency driven by rise in yields on fixed interest investments from a rise in interest rates and spreads;
- loss of investment income or market value of the portfolio from an adverse shock to a specific stock or sector; and
- a reduction in unit-linked funds under management due to a fall in market values, leading to lower AMC income.

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; and
- timely market updates and forecasts from the investment advisors covering interest rates, credit spreads and market development by sectors.

For with-profits funds, the average duration target for the investment portfolio is commensurate with the individual run-off profile. 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.

(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;
- reinsurers' share of insurance liabilities and of claims paid; and
- credit spreads, which is driven by market price and cash flow variability associated with changes in credit spreads.

Notes to the Financial Statements continued

4. Financial risk management continued

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.

2024	AAA	AA	A	BBB	BB and below or not rated	TOTAL
	£m	£m	£m	£m	£m	£m
Debt securities and other fixed income securities	36.1	209.7	167.6	139.7	-	553.1
Derivative financial instruments	-	-	1.5	-	-	1.5
Reinsurers' share of technical provision	-	7.3	183.3	-	-	190.6
Total assets bearing credit risk	36.1	217.0	352.4	139.7	-	745.2

2023	AAA	AA	A	BBB	BB and below or not rated	TOTAL
	£m	£m	£m	£m	£m	£m
Debt securities and other fixed income securities	35.4	289.4	189.3	151.9	1.6	667.6
Derivative financial instruments	-	-	3.8	-	-	3.8
Reinsurers' share of technical provision	-	8.1	203.4	-	-	211.5
Total assets bearing credit risk	35.4	297.5	396.5	151.9	1.6	882.9

None of the assets assessed above are past due or impaired.

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 of £73.5m (2023: £43.3m). Cash is held with the following institutions; Barclays plc £27.1m (rated A+), HSBC £35.7m (rated A+), NatWest £10.1m (rated A), Santander £0.5m (rated A-) and Danske £0.1m (rated AA-).

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.

Notes to the Financial Statements continued

4. Financial risk management continued

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 below shows the sector diversification of the debt portfolio as at 31 December 2024 and 2023 respectively.

Sector	2024 % Holding	2023 % Holding
Government Bonds	15%	21%
Corporate Bonds Financial	29%	28%
Corporate Bonds Industrial	35%	31%
Government Index Linked	12%	13%
Government Guaranteed	1%	1%
Other Index Linked Bonds	1%	1%
Public Authorities	2%	1%
Supranational Bonds	5%	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 overseen by the Company's RCC which reviews and monitors operational risks.

The Risk Function carries out assessments of operational risks and the work undertaken by 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. Controls are attested to on a regular basis.

The Company maintains a risk incident process, which identifies, documents, quantifies and monitors risk events that have occurred across the business. All incidents are tracked until resolution. As appropriate, matters are escalated to the RCC and Board, and the operation of the process is overseen by the Risk Function.

(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.

Notes to the Financial Statements continued

4. Financial risk management continued

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

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

The tables below provides a maturity analysis of the Company's financial liabilities on an undiscounted basis.

2024	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	4,121.6	-	-	-	4,121.6
Deposits received from reinsurers	-	0.7	0.5	1.4	2.6
Creditors	-	9.5	-	-	9.5
	4,121.6	10.5	0.5	1.4	4,134.0
Financial liabilities under with-profits investment contracts included in long term business provision	4.3	-	-	-	4.3
At 31 December 2024	4,125.9	10.5	0.5	1.4	4,138.3

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
Deposits received from reinsurers	-	0.4	1.2	1.5	3.1
Creditors	-	11.0	-	-	11.0
	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

(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.

Notes to the Financial Statements continued

4. Financial risk management continued

(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:

- 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.

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<u>Financial assets at fair value through profit and loss</u>				
Shares and other variable-yield securities and units in unit trusts	81.0	-	4.1	85.1
Debt securities and other fixed income securities	186.3	361.6	5.3	553.2
Derivative financial investments	-	1.5	-	1.5
	267.3	363.1	9.4	639.8
Financial assets held to cover linked liabilities ¹	4,454.3	28.8	-	4,483.1
Total assets at fair value through profit and loss	4,721.6	391.9	9.4	5,122.9
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<u>Liabilities held at fair value through profit and loss</u>				
Technical provisions for linked liabilities	4,455.5	28.8	-	4,484.3
Total liabilities at fair value through profit and loss	4,455.5	28.8	-	4,484.3

¹Total financial assets held to cover linked liabilities of £4,485.2m consists of financial assets held to cover linked liabilities of £4,483.1m (inclusive of cash of £12.5m) and net current assets of £2.1m.

Notes to the Financial Statements continued

4. Financial risk management continued

2023

	Level 1 £m	Level 2 £m	Level 3 £m	Total £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	4,498.0	-	-	4,498.0
Total assets at fair value through profit or loss	4,842.9	406.2	5.0	5,254.1
	Level 1 £m	Level 2 £m	Level 3 £m	Total £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 or loss	4,499.4	-	-	4,499.4

The following table presents the changes in Level 3 instruments for the year:

	Shares, variable yield securities & unit trusts £m	Debt securities and other fixed income securities £m	Total Level 3 Assets £m
At 1 January 2024	5.0	-	5.0
Transfer into level 3	-	5.3	5.3
Net (loss) recognised in profit and loss	(0.9)	-	(0.9)
At 31 December 2024	4.1	5.3	9.4

The Level 3 share asset (£4.1m) 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%	£7.4m	£0.5m	11.4%
(Energy yield)			P50 – 10%	(£7.6m)	(£0.5m)	(11.7%)

The above sensitivity information is based on information as at 31 December 2023 from the investment company, which is the latest available information.

Notes to the Financial Statements continued

4. Financial risk management continued

Level 3 debt securities (£5.3m) consist of four bonds which were reclassified from level 2 to level 3 during 2024. This was primarily due to concerns over credit ratings and because the assets are not actively traded. Fair value is arrived at with reference to a primary pricing vendor, who uses a non option-adjusted spread discounted cash flow model to derive a market value. Secondary and tertiary vendors are used for validation.

If prices fell by 10% this would reduce the value of these debt securities by £0.5m.

5. Gross Premiums

(a) Gross Premiums Written

All premiums relate solely to long-term insurance contracts.

	2024 £m	2023 £m
Gross premiums written comprise		
Direct insurance	51.1	12.2
Gross direct premiums written in respect of insurance contracts and with-		
profits investment contracts		
Regular premiums	4.2	4.9
Single premiums*	46.9	7.3
	51.1	12.2
Gross premiums written comprise		
Life insurance contracts	3.6	4.0
Pensions contracts	47.5	8.2
	51.1	12.2
Gross premiums written comprise		
Unit-linked insurance contracts	3.0	2.1
Non linked insurance contracts	48.1	10.1
	51.1	12.2
Geographical analysis		
UK	51.1	12.2

*Increase in Single premiums in the 2024 is largely due to two BPA deals written in the year accounting for premiums of £37.7m.

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 20) rather than as premiums in the long-term technical account.

	2024 £m	2023 £m
Unit-linked investment contracts comprise		
Life	0.1	0.1
Pensions	87.6	47.9
	87.7	48.0

There were no premiums for non-linked investment contracts.

Notes to the Financial Statements continued

5. Gross Premiums continued

(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:

	2024 £m	2023 £m
Single premiums which were pension contracts and non linked insurance contracts	46.9	7.3
Geographical analysis		
UK	46.9	7.3

New business premiums for investment contracts which are accounted for using deposit accounting are £67.0m (2023: £31.1m) bringing total new business premium to £113.9m (2023: £38.4m).

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;
- New business premiums also include new BPA contracts written in the financial year.

6. Investment Return

	2024 £m	2023 £m
Investment return: long term business technical account		
Investment income – interest income	24.9	26.2
Investment income - dividend income	118.1	107.1
Realised net gains	74.2	21.5
Unrealised net gains	218.9	284.2
	436.1	439.0
Investment return: non-technical account		
Investment income - Interest income	1.7	1.6
Investment income - dividend income	1.1	1.0
Realised net gains	1.0	1.3
Unrealised net gains on investments	0.8	4.1
	4.6	8.0

The returns on assets which are directly designated as shareholder assets are recognised in the non-technical account while all the returns on assets are reflected in the technical account.

Notes to the Financial Statements continued

7. 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.

	2024 £m	2023 £m
Other technical income		
Fee income from investment contracts	29.9	30.0
	29.9	30.0
Other charges: non-technical account		
Amortisation of negative goodwill	8.1	8.1
Amortisation of AVIF	(9.8)	(9.8)
	(1.7)	(1.7)

8. Net operating expenses

	2024 £m	2023 £m
Acquisition expenses	0.5	-
Administration expenses	14.3	15.7
One off expenses	10.2	2.3
	25.0	18.0

One-off expenses include costs in relation to developing our BPA proposition including the recruitment of specialist staff and development of third party relationships. We have also entered into a new agreement with our strategic IT partner, Atos, to update and migrate our existing infrastructure to the Cloud.

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:

	2024 £m	2023 £m
Wages and salaries (incl. fees paid to non-executive directors)	10.4	9.2
Social security costs	1.2	1.0
Defined contribution pension costs	0.6	0.5
Non-contractual benefits	0.1	0.1
	12.3	10.8

Employee costs have increased having appointed new leadership and building a team focused on BPA.

The monthly average number of employees seconded to ULP during the year, including executive Directors, was 153 (Full time equivalent (FTE): 140) (2023: Headcount: 150; FTE: 136). The total staff number at the end of 2024, including contractors, was 154 (FTE: 142) (2023: Headcount: 150; FTE: 137).

Notes to the Financial Statements continued

8. Net operating expenses continued

	2024 £'000	2023 £'000
Included within administration expenses are:		
Audit services:		
Audit fees payable to the Company's auditors	780	744
Non-audit services:		
Audit-related assurance services	-	57
	<u>780</u>	<u>801</u>

Fees shown are net of VAT.

9. Directors' remuneration

The Directors' emoluments were as follows:

	2024 £'000	2023 £'000
Aggregate remuneration	<u>1,309</u>	<u>1,067</u>
Highest paid Director (included in the above figures)	<u>616</u>	<u>589</u>

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 8).

No incremental emoluments were paid to any Group Non-executive Directors in respect of services to the Company (2023: nil).

During 2024, the highest paid Director was provided with a cash-settled long-term bonus plan of £0.4m based on the increase in Solvency II Economic Value from 1 April 2023 to 30 September 2024. In September 2024, the Company put in place a similar arrangement covering the growth in Solvency II Economic Value over a five year period from 30 September 2024 to 30 September 2029, or earlier event as defined under the plan. The fair value of the plan was £nil at 31 December 2024.

No Directors accrued any benefits under a defined benefit or defined contribution scheme during the year (2023: nil).

10. Tax on profit on ordinary activities

	2024 £m	2023 £m
Technical account – long-term business		
UK corporation tax charge	7.7	6.3
Total current tax charge	<u>7.7</u>	<u>6.3</u>
Current year movement in deferred taxation	3.3	4.2
Total deferred tax charge in the long term account	<u>3.3</u>	<u>4.2</u>
Tax charge in the Profit and Loss Account	<u>11.0</u>	<u>10.5</u>

Notes to the Financial Statements continued

10. Tax on profit on ordinary activities continued

The tax charge in the technical account is comprised of a tax charge of £4.2m (2023: tax charge of £4.3m) at the policyholder rate of 20% (2023:20%), a deferred tax charge of £3.3m at the corporation tax rate of 25% (2023: deferred tax charge of £0.6m at 23.5%) and a current tax charge of £3.5m in respect of tax payable at the main UK corporation tax rate for 2024 of 25%.

	2024 £m	2023 £m
Non-technical account		
Tax attributable balance on long-term business account	7.8	6.3
Current year movement in current taxation	0.7	1.5
Tax charge in the Profit and Loss Account	8.5	7.8
Reconciliation between standard and effective tax rate		
	2024 £m	2023 £m
Profit before Tax	34.2	33.2
Income tax at main rate of UK corporation tax of 25% (2023: 23.5%)	8.5	7.8
Tax charge in the Profit and Loss Account	8.5	7.8
Corporation taxation and social security consists of the following balances:		
	2024 £m	2023 £m
Corporation taxation and social security (Note 25)	3.6	5.8
Corporation taxation relating to assets held to cover linked liabilities (Note 14)	(0.6)	0.5
Total	3.0	6.3

There are no significant differences between the tax charge for the year and the tax charge based on the effective rate of corporation tax of 25%.

The UK corporation tax rate remains at 25% since April 2023. The Labour government has committed to maintaining this rate for the duration of this parliament.

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, did not fall into scope in 2024 but expects to do so in future years, meaning it will be subject to the UK's Pillar 2 Domestic Top-Up Tax regime. ULP does not foresee any material Top-Up Tax exposure in future, due to the existing local tax rate already being above the minimum 15%.

Notes to the Financial Statements continued

11. Intangible assets

	Goodwill	Acquired value of in force business	Total
	£m	£m	£m
Cost (2023 and 2024)			
At 1 January 2023 and 2024	(121.1)	146.6	25.5
Movement during the year	-	-	-
At 31 December 2023 and 2024	(121.1)	146.6	25.5
2024			
Accumulated amortisation			
At 1 January 2024	36.4	(46.2)	(9.8)
Amortisation during year	8.0	(9.8)	(1.8)
At 31 December 2024	44.4	(56.0)	(11.6)
Net book value at 31 December 2024	(76.7)	90.6	13.9
2023			
Accumulated amortisation			
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

The Acquired Value of In-force Business ("AVIF") 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 profile of the value of the in-force business acquired and the expected depletion in its value. The remaining amortisation period for ELAS business at 31 December 2024 is 10 years (2023: 11 years). The remaining amortisation period for the RMIS business is 8.25 years at 31 December 2024 (2023: 9.25 years) for these balances.

12. Investments in group undertakings and participating interests

The Company has one subsidiary Equitable Life Assurance Society (ELAS). An additional subsidiary, RMIS (RTW) Limited (RMIS) was liquidated in 2024.

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 was dissolved in 2024, (RMIS registration number 00491580, was incorporated in England and Wales and the registered office was Walton Street, Aylesbury, HP21 7QW).

On 1 January 2020, the Company acquired 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.

Notes to the Financial Statements continued

12. Investments in group undertakings and participating interests continued

Equitable Life is held at cost less impairment, £4.5m (2023: £4.5m). No impairments, additions or disposals were recognised in either 2024 or 2023. A review is undertaken on an annual basis to determine whether there are indications of impairment. This is done by comparing the carrying value to the recoverable amount.

The registered office of Equitable Life is Walton Street, Aylesbury, Buckinghamshire, HP21 7QW, it is incorporated in England and Wales and domiciled in England, details of which are:

Company	Holding	Principal activity
Equitable Life Assurance Society (ELAS)	Direct	Life Insurance

13. Financial investments

	2024		2023	
	Market Value	Cost	Market Value	Cost
	£m	£m	£m	£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	85.1	82.9	84.7	84.1
Debt securities and other fixed income securities	553.2	702.0	667.6	798.2
Derivative financial instruments *	1.5	12.8	3.8	13.6
Total financial assets	639.8	797.7	756.1	895.9

*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 £1.5m (2023: £3.8m) that cost £12.8m (2023: £13.6m). These contracts are intended to mitigate the risk associated with GAO's.

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 2024 two contracts matured realising a loss of £0.8m (2023: Loss of £0.8m).

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 loss in the year amounted to £1.4m (2023: Gain of £0.1m).

Notes to the Financial Statements continued

14. Assets held to cover linked liabilities

	2024 Market Value £m	2024 Cost £m	2023 Market Value £m	2023 Cost £m
Shares and other variable yield securities and units in unit trusts	4,441.8	3,843.0	4,490.5	4,129.9
Debt securities and other fixed income securities	29.1	30.3	-	0.2
Deposits with credit institutions	6.9	6.9	8.2	8.2
Cash and cash equivalents	5.6	5.6	1.3	1.3
Bank overdraft	-	-	(1.8)	(1.8)
Derivative financial instruments	(0.3)	0.1	(0.2)	-
Current assets	8.8	8.8	8.5	8.5
Net tax balances	0.6	0.6	(0.5)	(0.5)
Other current liabilities	(7.3)	(7.3)	(6.4)	(6.4)
	4,485.2	3,888.0	4,499.6	4,139.4

The assets held to cover linked liabilities of £4,485.2m (2023: £4,499.6m) is equal to the net technical provisions for linked liabilities (net of reinsurance) of £4,481.1m (2023: £4,495.5m) and the value of outstanding claims of £4.1m (2023: £4.1m).

15. Debtors

	2024 £m	2023 £m
Amounts owed by Group undertakings	0.7	0.7
Debtors arising out of direct insurance operations	0.2	0.2
Debtors arising out of reinsurance operations	1.0	1.1
Current tax receivable	-	1.6
Deferred tax asset ¹	-	1.9
Linked fund assets	13.2	5.7
Policy loans ²	0.5	0.6
Other debtors	0.5	0.4
	16.1	12.2

1) During 2024, management updated the presentation of deferred tax to reflect the legally enforceable right to offset and improve transparency in the financial statements. The deferred tax asset of £1.9m and deferred tax liability of £4.6m on assets held to cover linked assets arising from 2023 has been reclassified and presented net, resulting in a £2.7m reclassification adjustment to opening balances as of 1 January 2024 as shown in Note 24.

2) Year end 2023 Financial Statements presented policy loans within 'Other debtors'

16. Cash at bank and in hand

	2024 £m	2023 £m
Cash at Bank	73.5	43.3

Notes to the Financial Statements continued

17. Share Capital

Ordinary Shares of £1 each allotted and fully paid

	Number	£m
At 1 January 2024	100,000,000	100.0
At 31 December 2024	100,000,000	100.0

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

18. Dividends

	2024	2023
	£m	£m
Ordinary share dividends paid in the year	50.0	60.0

19. Funds for Future Appropriation

	2024	2023
	£m	£m
As at 1 January	62.4	61.2
Transfer from/(to) the Profit & Loss	(0.2)	1.2
As at 31 December	62.2	62.4

20. Technical Provisions

	2024	2023
	£m	£m
<u>Gross technical provisions</u>		
Insurance contract liabilities	654.1	734.4
Investment contract liabilities	4.0	4.3
	658.1	738.7
Index linked and unit-linked insurance contract liabilities	364.5	347.3
Unit-linked investment contract liabilities	4,119.8	4,152.1
	5,142.4	5,238.1
Reinsurers' share of:		
Insurance contract liabilities	145.5	160.8
Investment contract liabilities	1.6	1.4
	147.1	162.2
Unit-linked investment contracts	3.2	3.9
	150.3	166.1
At 31 December	4,992.1	5,072.0

Notes to the Financial Statements continued

20. Technical Provisions continued

Non-linked contract liabilities

2024 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
As at 1 January 2024	4.3	1.4	734.4	160.7
Policyholder premiums	-	-	18.1	17.0
Policyholder claims	(0.4)	-	(67.4)	(26.6)
Unwind of discount rates	-	-	34.6	7.5
Economic impacts, including economic assumption changes	(0.1)	(0.1)	(62.6)*	(15.1)
Effect of change in non-economic assumptions	(0.1)	-	0.6	0.3
Model and methodology changes	-	-	-	-
Other	0.3	0.3	(3.6)	1.7
As at 31 December 2024	4.0	1.6	654.1	145.5

* During the year management updated the valuation interest rate default rate assumption from a percentage of spread to a basis points adjustment resulting in a reduction of total technical provisions by £11.6m. This change in accounting estimate was based on new information available in the current year driven by a sustained change in gilt swap spreads and accounted for prospectively. The impact of the reduction on the non-linked contract liabilities was £8.9m and is reported in the Economic impacts, including economic assumption changes movement of £62.6m in the table above with a corresponding release through the change in other technical provisions, net of reinsurance line item on the profit or loss account.

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
As 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 assumptions 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)	-
Other	(0.1)	0.1	(8.7)	(1.6)
As at 31 December 2023	4.3	1.4	734.4	160.8

Notes to the Financial Statements continued

20. Technical Provisions continued

	2024 £m	2023 £m
Analysis of technical provisions		
Movement in the period for gross technical provisions	80.6	37.4
Long-term business provision gross amount credit for the year	80.6	37.4
Reinsurance Balances	2024	2023
	£m	£m
Assets	187.4	207.6
Liabilities	(40.3)	(45.4)
	147.1	162.2

With-profits investment contracts

Included within the long-term business provision are amounts of £4.3m (2023: £4.7m) 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.

Linked contract liabilities

2024 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
As at 1 January 2024	4,152.1	3.9	347.3	-
Policyholder premiums	87.7	0.6	33.1	-
Policyholder claims	(495.0)	(1.7)	(41.9)	-
Other changes in liabilities	(26.8)	-	(2.4)	-
Unwind of discount rates	-	-	-	-
Economic impacts, including economic assumption changes	384.9	0.1	27.5*	-
Effect of change in non-economic assumptions	-	-	-	-
Model and methodology changes	-	-	-	-
Foreign exchange	-	-	-	-
Other	16.9	0.3	0.9	-
As at 31 December 2024	4,119.8	3.2	364.5	-

* Also, included in the Economic impacts, including economic assumption changes movement of £27.5m above is £1.8m relating to the impact of updating the valuation interest rate assumption on linked contract liabilities and corresponding release through the change in technical provisions for linked liabilities, net of reinsurance line item on the profit or loss account. This change was accounted for as a change in accounting estimate as set out in the table above for non-linked contract liabilities.

Notes to the Financial Statements continued

20. Technical Provisions continued

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
As 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 assumptions 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	-

21. Claims outstanding

Included in the outstanding claims balance of £23.5m (2023: £27.8m) are £4.1m (2023: £4.1m) of outstanding claims relating to unit-linked liabilities.

22. 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.

Notes to the Financial Statements continued

22. Capital management (unaudited) continued

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.

	Total £m
Equity under UK GAAP at 31 December 2024	135.5
Adjustment for Fund for Future Appropriations	62.2
Goodwill and Other Intangible Assets	(13.9)
Difference in asset valuations	0.7
Difference in the measurement of technical provisions	69.8
Difference in net deferred taxation liabilities arising from above	(28.9)
Solvency II Own Funds at 31 December 2024	225.4
Restricted Own Funds	-
Solvency II Eligible Own Funds at 31 December 2024*	225.4
Solvency Capital Requirement at 31 December 2024*	117.8
Solvency Capital Coverage Ratio*	191%
*unaudited	
<u>Reconciliation of SII own funds to economic value</u>	Total £m
Solvency II Eligible Own Funds at 31 December 2024	225.4
Risk margin for non profit funds	17.4
Matching adjustment for ring fenced funds restrictions	0.0
Reinsurance default adjustment	1.3
Contract boundaries	2.2
Economic Value at 31 December 2024	246.3
Dividends paid for the period	50.0
Less: Economic value at 31 December 2023	(280.8)
Movement in Economic Value for the year	15.5

Notes to the Financial Statements continued

22. Capital management (unaudited) 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	

	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 2023	(313.5)
Movement in Economic Value for the year	27.3

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% after writing a new BPA policy or after a payment of a dividend or loan interest.

Notes to the Financial Statements continued

22. Capital management (unaudited) 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 4), 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 <https://www.utmost.co.uk>

23. Deferred taxation

	2024 £m	2023 £m
Deferred tax provisions:		
Deferred tax liabilities (Note 24)	(6.2)	(0.2)
Deferred tax assets (Note 15)	-	1.9
Net deferred tax (liability)/asset	(6.2)	1.7

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

	2024 £m	2023 £m
Unrealised (gains)/losses on financial investments *	(6.1)	1.8
Pension deficit	0.3	0.4
Acquired intangible asset	(0.7)	(0.8)
Other	0.3	0.3
Total provision for deferred tax *	(6.2)	1.7

*At year-end 2023 a deferred tax liability of £4.6m was included within net assets backing linked liabilities relating to future tax that may be payable on investment gains and losses. The equivalent liability of £6.5m for 2024 has been presented in the deferred tax provision impacting deferred tax liabilities and unrealised gains on financial investments for 2024 in the note above (See Note 15).

24. Provisions for other risks

	Deferred tax liability £m	Committed project costs £m	Pension mis- selling £m	Total £m
1 January 2024	0.2	-	0.3	0.5
Presentational reclassification *	2.7	-	-	2.7
Amount debited/(credited) to Profit and Loss	3.3	3.0	(0.2)	6.1
31 December 2024	6.2	3.0	0.1	9.3

*The deferred tax liability is a result of timing differences between the recognition of profit on a UKGAAP basis versus a tax basis. The liability will unwind over time. A presentational change was made in the year resulting in a £2.7m reclassification between Provisions for other risks and Debtors (see Note 15).

Notes to the Financial Statements continued

24. Provisions for other risks continued

The provision for committed project costs represents one-off costs to which the Company is contractually bound. The provision will be released over the coming year as payments are made, as such there is reasonable certainty regarding the values provided for.

Pension mis-selling provisions were historically made in relation to general mis-selling cases, including those identified through the 'Pension Misselling Review' in the 1990's as set out by the FSA, the UK regulators at the time. As cases are historical and have decreased significantly over time, a general provision is no longer made and the remaining provision relates to specific complaint cases raised by customers under FCA issued guidance where amounts are reasonably certain.

25. Creditors: amounts falling due within one year

	2024	2023
	£m	£m
Creditors arising out of direct insurance operations	4.0	3.6
Creditors arising out of reinsurance operations	0.7	0.5
Amounts owed to group undertakings	0.3	0.3
Taxation and social security	3.6	5.8
Other creditors	0.9	0.8
	9.5	11.0

26. 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 accruals since June 2010. During 2024 the Company entered into negotiations with the Trustee of RPS with a view to buying out the scheme's remaining liabilities. Following the successful completion of these negotiations, legal agreements were signed in February 2025 which committed both parties to working towards a full buy-out later in 2025.

At the time of the latest full valuation finalised in January 2023, the scheme was showing a small surplus resulting in the cancellation of funding payments from the Company to the scheme. The scheme is now in a deficit position due to adverse market value movements in 2023, partially offset in 2024. During the year from 1 January to 31 December 2024 the Company made contributions of £0.2m solely in respect of administration fees (2023 total contributions of £0.1m).

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

	2024	2023
	%	%
Discount rate	5.7	4.6
RPI inflation rate	3.2	3.0
CPI inflation rate	2.8	2.7
Pre and post-retirement mortality:	2024	2023
Base table	SAPS -S3	SAPS -S3
Mortality projections	CMI 2022	CMI 2022
Long term rate of improvement	1.50[Male]	1.25[Male]
	1.25[Female]	1.25[Female]

Notes to the Financial Statements continued

26. Post-employment benefits continued

	2024 Years	2023 Years
Life expectancies from age 65:		
Male currently aged 65	21.6	21.7
Female currently aged 65	23.9	24.1
Male currently aged 45	23.2	22.9
Female currently aged 45	25.3	25.5

Reconciliation of funded status to the Balance Sheet:

	2024 £m	2023 £m
Defined benefit obligation	(21.3)	(24.0)
Fair value of plan assets	20.1	22.6
	(1.1)	(1.4)
Onerous Liability	-	-
Net defined benefit liability	(1.1)	(1.4)

Assets

	2024 £m	2024 % weight	2023 £m	2023 % weight
Diversified growth funds	6.1	30.5	6.6	29.1
Liability matching funds	13.6	67.5	15.7	69.7
Cash/other	0.4	2.0	0.3	1.2
Total	20.1	100.0	22.6	100.0

	2024 £m	2023 £m
Analysis of profit and loss charge		
Net interest expense	0.1	0.1
Pension scheme expenses (excluding investment related expenses)	0.3	0.2
Past service cost	-	-
Total pension expense recognised in profit and loss	0.4	0.3

	2024 £m	2023 £m
Reconciliation of defined benefit obligation over the year:		
Defined benefit obligation at start of the year	(24.0)	(24.3)
Interest expense on defined benefit obligation	(1.1)	(1.2)
Remeasurement- effect of experience adjustments gain/(loss)	-	0.6
Remeasurement- effect of changes in financial assumptions (loss)/gain	3.1	(0.3)
Remeasurement- effect of demographic assumptions gain/(loss)	-	0.4
Benefits paid	0.7	0.8
Past service cost	-	-
Defined benefit obligation at the end of the year	(21.3)	(24.0)

Notes to the Financial Statements continued

26. Post-employment benefits continued

Reconciliation of fair value of plan assets over the year

	2024 £m	2023 £m
Fair value of plan assets at the start of the year	22.6	23.6
Interest income on plan assets	1.0	1.1
Remeasurement (loss) on plan assets excluding interest income	(2.7)	(1.2)
Contributions by the Company	0.2	0.1
Benefits paid	(0.7)	(0.8)
Pension scheme expenses (excluding investment related expenses)	(0.3)	(0.2)
Fair value of plan assets at the end of the year	20.1	22.6

	2024 £m	2023 £m
Remeasurements recognised in other comprehensive income (OCI)		
Actuarial gain/(loss) due to experience on defined benefit obligation	-	0.6
Actuarial (loss)/gain due to changes in financial assumptions	3.1	(0.3)
Actuarial gain due to changes in demographic assumptions	-	0.4
Return on plan assets (less) than discount rate	(2.6)	(1.2)
Change in onerous liability excluding interest	-	-
Total remeasurement (loss)/gain recognised in OCI	(0.4)	(0.5)

	2024 £m	2023 £m
Reconciliation of funded position		
Net defined benefit liability at start of the year	(1.4)	(0.7)
Expense recognised in profit and loss	(0.4)	(0.3)
Gain/(Loss) recognised in OCI	0.4	(0.5)
Contributions by the Company	0.2	0.1
Net defined benefit liability at end of the year	(1.1)	(1.4)

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.
- External factors: A High Court legal ruling in June 2023 (Virgin Media Limited v NTL Pension Trustees II Limited) determined that certain pension scheme rule amendments were invalid if they were not accompanied by appropriate actuarial confirmation and the ruling could therefore be expected to apply to other pension schemes. Should the ruling apply to the Reliance Pension Scheme, the position is currently uncertain. However, the company does not expect a material financial obligation to arise and considers there is sufficient uncertainty over any potential obligation to warrant recognition in the financial statements.

Notes to the Financial Statements continued

26. Post-employment benefits continued

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	(2.6)	3.2
Inflation – up 100 bps/down 100 bps	1.6	(1.7)
Mortality tables – add/subtract 10% to Male and Female multiplier	(0.4)	0.4

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

27. Capital and other commitments

	2024 £m	2023 £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
	0.6	1.2

28. Related parties transactions

In accordance with FRS 102 Section 33 paragraph 1A, the Company has taken advantage of the exemption from disclosing related party transactions with other companies that are wholly owned within the Group. There were no related party transactions with non-wholly owned companies with the Group.

The Directors and key management of the Company had no transactions with the Company or any group undertakings that require disclosure.

29. Controlling party

The Company's immediate parent is Utmost Life and Pensions Holdings Limited, a indirect subsidiary of Utmost Group plc, 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 Holdings LLC).

30. Contingent liabilities

There are no contingent liabilities. (2023: £nil).

31. 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.