UTMOST WORLDWIDE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2022

Registered Number: 27151

Registered Address:

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

The Directors present their annual report and financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

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

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

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

From a geographic perspective, the Company has operations in Guernsey (Head Office), Hong Kong, the Republic of Ireland, Singapore, Switzerland and through a subsidiary in the UAE. The operations in the Cayman Islands and the Bahamas have been discontinued as of 31 December 2022 and have been recorded as discontinuing operations in the current year. Please refer to note 29 for more detail.

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

DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

RESULTS

The state of affairs of the Company as at 31 December 2022 is set out on page 6. The results for the year are set out in detail on page 7 and the cash flows are set out on page 10.

DIVIDENDS

In 2022, two dividends were paid to Utmost International Group Holdings Limited. On 8 April 2022 the Board resolved to approve a dividend of £40m which was paid on 6 May 2022, and on 7 October 2022 the Board resolved to approve a dividend of £20m which was paid on 21 October 2022.

SIGNIFICANT EVENTS

Refer to note 34 for details on all subsequent events.

DIRECTORS AND COMPANY SECRETARY

The Directors of the Company are:

Vic Holmes (non-executive)
Ian Maidens (non-executive)
Leon Steyn (executive)
Mark Thompson (non-executive)
Paul Thompson (non-executive)
Charles Bangor-Jones (executive)

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

The Secretary of the Company is:

Garth Norman

INDEPENDENT AUDITOR

PricewaterhouseCoopers CI LLP has expressed its willingness to continue in office. Their reappointment will be considered at a subsequent meeting of the board of directors of the company.

By order of the Board

Director

Director

Date: 28 March 2023

Independent auditor's report to the members of Utmost Worldwide Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Utmost Worldwide Limited (the "company") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008, The Insurance Business (Bailiwick of Guernsey) Law, 2002 and The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002.

What we have audited

The company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the members of Utmost Worldwide Limited (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Use of this report

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
31 March 2023

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

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

UTMOST WORLDWIDE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

All amounts in £000 unless otherwise stated

	Note	2022	2021
Assets			
Property and equipment	5	542	671
Right of use assets	6	2,709	2,750
Investments in subsidiaries	8	459	459
Investments			
Financial assets at fair value through profit & loss	9.1	3,562,521	3,981,746
Financial assets at fair value through OCI	9.2	154,958	254,161
Amount ceded to reinsurers from insurance provisions	15	63,357	63,444
Receivables including insurance receivables	10	22,614	20,067
Post-employment defined benefit asset	19	9,687	3,018
Cash and cash equivalents	11	54,105	43,632
Accrued income and prepayments	12	170,214	190,109
Total assets		**4,041,166**	**4,560,057**
Equity and liabilities			
Issued share capital	13	100,231	100,231
Revenue reserves	14	33,588	58,446
Other reserves	14	9,839	9,902
Total equity		**143,658**	**168,579**
Insurance provisions	15	554,218	575,907
Financial liabilities at fair value through profit & loss	16	3,030,901	3,447,738
Lease liabilities	7	2,023	2,943
Payables including insurance payables	17	84,497	105,474
Accruals and deferred income	18	225,869	259,416
Total liabilities		**3,897,508**	**4,391,478**
Total shareholders' equity and liabilities		**4,041,166**	**4,560,057**

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2023 and signed on its behalf by

Director

Director

The notes on pages 11 to 79 are an integral part of these financial statements

All amounts in £000 unless otherwise stated

	Note	2022	2021
Earned premiums	**20**	83,599	81,405
Premiums ceded to reinsurers	**20**	(35,884)	(31,146)
Net insurance premium revenue		**47,715**	**50,259**
Fee and commission income related to investment and insurance contracts	**22**	70,870	67,805
Other income	**23**	3,176	4,909
Total revenue		**121,761**	**122,973**
Interest and other investment income	**11**	229	95
Net income / (expense) from financial instruments at fair value	**21**	(30,915)	10,315
Total revenue and investment income		**91,075**	**133,383**
Gross benefits and claims paid	**24**	(82,934)	(84,141)
Claims ceded to reinsurers	**24**	18,475	15,812
Gross change in contract liabilities	**24**	61,742	59,360
Change in contract liabilities ceded to reinsurers	**24**	(4,747)	(13,817)
Interest expense	**25**	(317)	(303)
Expenses for the acquisition of insurance and investment contracts	**26**	(22,958)	(34,378)
Administration expenses	**27**	(23,485)	(30,270)
Exchange losses - net		(1,771)	(856)
Profit Before Tax		**35,080**	**44,790**
Income taxes	**28**	(1,288)	(248)
Profit for the period from continuing operations		**33,792**	**44,542**
Profit for the period from discontinued operations	**29**	254	(23)
Profit For The Period		**34,046**	**44,519**
Other comprehensive income			
Change in fair value of financial assets at FVOCI		(7,595)	(5,821)
Amount reclassified to profit or loss	**21**	2,012	192
Re-measurement on post-employment benefit asset	**19**	6,616	2,979
Total comprehensive income for the year		**35,079**	**41,869**

The notes on pages 11 to 79 are an integral part of these financial statements

All amounts in £000 unless otherwise stated

	Issued Share Capital	Financial Assets at FVOCI	Currency Translation reserve	Defined Benefit Plan Reserve	Non Distributable Reserve	Revenue Reserve	Total Equity
As at 1 January 2022	**100,231**	**(3,192)**	**7,635**	**(1,166)**	**6,625**	**58,446**	**168,579**
Solvency reserve	-	-	-	-	(151)	151	**-**
Change in fair value of financial assets at FVOCI	-	(7,595)	-	-	-	-	**(7,595)**
Amount reclassified to profit or loss	-	2,012	-	-	-	-	**2,012**
Re-measurement on post-employment benefit asset	-	-	-	6,616	-	-	**6,616**
Change in Liabilities for insurance contracts with DPF	-	-	-	-	(945)	945	**-**
Profit for the year	-	-	-	-	-	34,046	**34,046**
Total comprehensive income	**-**	**(5,583)**	**-**	**6,616**	**(1,096)**	**35,142**	**35,079**
Dividend	-	-	-	-	-	(60,000)	**(60,000)**
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**(60,000)**	**(60,000)**
As at 31 December 2022	**100,231**	**(8,775)**	**7,635**	**5,450**	**5,529**	**33,588**	**143,658**

The notes on pages 11 to 79 are an integral part of these financial statements

All amounts in £000 unless otherwise stated

	Issued Share Capital	Financial Assets at FVOCI	Currency Translation reserve	Defined Benefit Plan Reserve	Non Distributable Reserve	Revenue Reserve	Total Equity
As at 1 January 2021	**100,231**	**2,437**	**7,635**	**(4,145)**	**7,338**	**38,214**	**151,710**
Solvency reserve	-	-	-	-	(286)	286	**-**
Change in fair value of financial assets at FVOCI	-	(5,821)	-	-	-	-	**(5,821)**
Amount reclassified to profit or loss	-	192	-	-	-	-	**192**
Re-measurement on post-employment benefit asset	-	-	-	2,979	-	-	**2,979**
Change in Liabilities for insurance contracts with DPF	-	-	-	-	(427)	427	**-**
Profit for the year	-	-	-	-	-	44,519	**44,519**
Total comprehensive income	**-**	**(5,629)**	**-**	**2,979**	**(713)**	**45,232**	**41,869**
Dividend	-	-	-	-	-	(25,000)	(25,000)
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**(25,000)**	**(25,000)**
As at 31 December 2021	**100,231**	**(3,192)**	**7,635**	**(1,166)**	**6,625**	**58,446**	**168,579**

The notes on pages 11 to 79 are an integral part of these financial statements

All amounts in £000 unless otherwise stated

	Note	2022	2021
Profit/(loss) before taxation		35,334	44,767
Adjustments for:			
Depreciation of property, plant and equipment	**5**	320	403
Depreciation of Right-of-use asset	**6**	1,141	1,039
Interest on retirement obligation	**19**	(53)	(1)
Decrease in deferred origination costs	**12**	19,001	17,316
Decrease in accrued income	**12**	894	1,010
(Decrease)/ increase in accrued expenses	**18**	(5,888)	(1,812)
(Decrease) in deferred front end fees	**18**	(27,660)	(33,126)
(Decrease)/increase in insurance provision	**15**	(21,689)	(84,870)
Decrease in policyholder liabilities	**16**	(416,837)	144,325
Decrease/(increase) in ceded insurance provision	**15**	87	28,698
Net proceeds from financial investments	**21**	(69,495)	(160,902)
Net fair value losses/(gains) on financial investments	**9.1**	615,814	(122,494)
Net foreign exchange loss	**7/9**	(228,010)	21,713
Increase in receivables	**10**	(2,547)	6,841
(Decrease) in payables	**17**	(21,937)	(23,229)
Tax paid	**28**	(328)	(248)
Net cash flows from operating activities		**(121,853)**	**(160,570)**
Cash flows from investing activities			
Net (acquisition)/disposal of property, plant and equipment	**5/6**	(1,291)	(258)
Acquisition of financial assets	**9**	(795,003)	(875,908)
Disposal of financial assets	**9**	920,099	899,394
Investment Income	**21**	69,495	160,902
Net cash flows from investing activities		**193,300**	**184,130**
Cash flows from financing activities			
Leasehold right of use asset payments	**7**	(974)	(1,111)
Payment of dividend		(60,000)	(25,000)
Net cash flows from financing activities		**(60,974)**	**(26,111)**
Net movement in cash and cash equivalents		**10,473**	**(2,551)**
Cash and cash equivalents at the beginning of the financial period		43,632	46,184
Cash and cash equivalents at the end of the financial period		54,105	43,632

1. General Information

The principal activity of Utmost Worldwide Limited ('the Company") is the sale of insurance and investment products. The Company's registered office and principal place of business is Utmost House, Hirzel Street, St Peter Port, Guernsey and the Company has a physical presence in Hong Kong, the Republic of Ireland, Singapore, Switzerland, and through a subsidiary in the United Arab Emirates (UAE). The operation in the Cayman Islands and the Bahamas have been discontinued as of 31 December 2022 and have been recorded as discontinuing operations in the current year. The Company has not prepared consolidated financial statements (see note 2.2).

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

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

2. Summary of significant accounting policies

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

2.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee to the extent they have been adopted by the European Union ("IFRS") and with applicable requirements of The Companies (Guernsey) Law, 2008, The Insurance Business (Bailiwick of Guernsey) Law, 2002 and The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under IFRS as set out in the relevant accounting policies.

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

All amounts in £000 unless otherwise stated

2.1.1 New and amended standards and interpretations

The Company applied standards and amendments which have been listed below. The Company has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

It should be noted that although the following new standards and amendments were applied for the first time in 2022, they had no material effect on the annual financial statements of the Company.

A number of narrow-scope amendments to IFRS 3, IAS 16 and IAS 37 effective on 1 January 2022

- Amendments to IFRS 3,' Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, Plant and Equipment' prohibit a company from deducting the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

2.1.2 Standards and interpretations effective subsequent to 2022 but not early adopted

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

Standard/ Interpretation	**Content**	**Applicable for financial years beginning on/ after**
Amendment to IFRS 17, 'Insurance Contracts'	Classification and recognition of insurance contracts	1 January 2023
Amendment to IAS 12, 'Income Taxes'	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendment to IAS 1, 'Presentation of financial statements'.	Classification of liabilities as current or non-current	1 January 2024
Amendment to IFRS 16, 'Leases'	Lease liability in a sale and leaseback amendment to IFRS 16	1 January 2024

Amendment to IFRS 17, 'Insurance contracts'
IFRS 17 "Insurance Contracts": The IASB issued IFRS 17 in May 2017 (modified in 2020 and 2021) as a replacement to the previous insurance contracts standard IFRS 4 and applies to periods beginning on or after 1 January 2023. The standard will be applied retrospectively, subject to the transitional options provided for in the standard.

The Company primarily writes investment contract business without discretionary participation features which are accounted for under IFRS 9. However, the adoption of IFRS 17 will have a significant impact on the accounting treatment of insurance contracts written by the Company, which account for approximately 16% of the liabilities arising from investment and insurance contracts written by the Company.

Scope

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with DPF. When identifying contracts in the scope of IFRS 17 the Company have assessed the significance of any insurance risk accepted from the policyholder and for reinsurance contracts the insurance risk ceded to a reinsurer, whether a number of contracts needs to be treated as a single contract and whether investment components and goods and services are distinct and have to be separated and accounted for under another standard. Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

Measurement models

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

- Fulfilment cash flows
- Risk adjustment
- Contractual service margin

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

Level of aggregation

Insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. IFRS 17 requires a portfolio of contracts to be divided into annual cohorts. As a result, a group may not include contracts issued more than one year apart. The Company judges that division of products into portfolios according to product type meets the requirements of grouping products that are managed together and give rise to similar risks. The group, on initial recognition, further divides the portfolios into insurance groups according to whether the contracts have no significant possibility of becoming onerous, are onerous and all other contracts. Insurance contracts that would have a CSM at initial recognition even after including the risk adjustment are judged to have no significant possibility of becoming onerous. Insurance contracts where at initial recognition the total of the fulfilment cash flows, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow are recognised as onerous. All other contracts are grouped together. Reinsurance contracts are judged to be distinct and are not grouped together.

Contract boundaries

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

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

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

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

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

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

The estimates of future cash flows:

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

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

Underlying cash flows, where these arise in multiple currencies, are converted into a single functional currency at the appropriate prevailing foreign exchange rates. In order to discount the FCF the Company uses the bottom-up approach to determine in each applicable currency, a discount rate curve by applying a liquidity adjustment, where appropriate, to a risk-free yield. The risk-free yield curve is estimated from the published yield curve for the currency adjusted to remove the effects of ultimate forward rate adjustments. For the GMM a locked-in discount rate set at inception is used and for the VFA a current rate is used at each reporting period.

Risk Adjustment
An explicit risk adjustment for non-financial risk is calculated separately from the other estimates and is included in the fulfilment cash flows. The risk adjustment is determined as the difference between the fulfilment cash flows under a single, insurance group specific, stress scenario and the base scenario

calculated using the probability weighted best estimate of the cash flows. The risk adjustment is calculated without consideration for any reinsurance in place.

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

The value of reinsurance contract assets held are stated after allowance for the risk of non-performance of the counterparty. The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts. The risk adjustment for reinsurance is determined in the same way as for insurance business but with the stress scenario being determined from a scenario relevant to the underlying insurance portfolio. The risk adjustment for reinsurance represents the risk adjustment transferred to the reinsurer and as such will not exceed the risk adjustment on the underlying insurance contract.

Contractual service margin
The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts or investment contracts with DPF issued representing the unearned profit that the Company will recognise as it provides services in the future.

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

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

A negative CSM at the date of inception means the group of insurance contracts or investment contracts with DPF issued is onerous. A loss from onerous insurance contracts or investment contracts with DPF is recognised in the Statement of Comprehensive Income immediately with no CSM recognised on the Statement of Financial Position.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in the Statement of Comprehensive Income. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

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

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

The premium proxy is either the fair value of assets transferred minus any consideration paid or the fair value of liabilities received in insurance portfolio transfers or business combinations. The premium proxy is allocated to acquired insurance groups using weightings based on risk.
At initial recognition contracts are assessed as to whether they are onerous, profitable or initially profitable but have the potential to become unprofitable. The approach taken is to compare at initial recognition, for each insurance contract, the CSM with the Risk Adjustment. If the CSM is greater than the Risk Adjustment the insurance contract or investment contract with DPF is classified as profitable, if the CSM is zero the contract is classified as onerous. All other contracts are classified as having the potential to become onerous.

At the end of each reporting period the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- The effect of any new contracts added to the group.
- For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
- Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero with the excess recognised in insurance service expenses and a loss component recognised within the LRC.

When the CSM is negative, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and creates a CSM.

- The effect of any currency exchange differences.
- The amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF. Where underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

The amount of the CSM recognised in the Statement of Comprehensive Income for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts or investment contract with DPF based on coverage units. For contracts issued, the Company determines the proportion of coverage provided in the period for the purpose of CSM recognition as follows:

- Expected in-period coverage units using start of period forecasts, divided by
- The sum of:

  i. Expected in-period coverage units using start of period forecasts, and
  ii. End of period coverage units total forecast.
  where all amounts included in this calculation are undiscounted.

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

The coverage units used by the Company are as follows:

Business Type	Proposed Coverage Units
Non-linked	Sum at Risk
Unit linked business	Higher of Unit reserves and sum assured
Unitised with-profits	Unit Fund
Annuities	Annuities paid in period (deferred annuities with no death benefit provide 20% of benefits in the deferral period).
Commercial (Non-life)	Linear run-off related to term of contract

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

As the Company provides services under a group of insurance contracts or investment contracts with DPF, it reduces the LRC and risk adjustment and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Company expects to be entitled to in exchange for those services. The requirements in IFRS 17 to recognise insurance revenue over the coverage period of the underlying contracts will result in slower recognition of revenue compared with the Company's current accounting policy under IFRS 4.

Expenses that relate directly to the fulfilment of contracts will be recognised in the Statement of Comprehensive Income as insurance service expenses, generally as they are incurred. Expenses that do not relate directly to contracts in the scope of IFRS 17 will be presented in other operating expenses under the relevant accounting standard.

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

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

Transition
During the year the Company has progressed the calculation of the transition balance sheet as at 1 January 2022 – this is the transition date to IFRS 17 under the requirements of the standard. The transition balance sheet has been prepared using the Fair Value Approach for all in-scope business as it is impracticable to use the Fully Retrospective Approach because it is not possible to determine a Risk Adjustment at historic reporting dates. This is a key judgement taken by the Company in preparing the transition balance sheet.

The Company had no basis upon which to determine the Risk Adjustment since it had no policy from which a reliable margin for taking on non-financial risk associated with the contracts in scope of IFRS 17 could be determined at the transition date and there was no explicit historical view of the compensation required for non-financial risk on acquired insurance contracts. Consideration was taken to deriving an approach that used margins from historical acquisitions however as the majority of the acquired policies have been investment contracts, with significant reinsurance on insurance contracts and investment contracts with DPF, it was not possible to accurately reflect the view of insurance risk at historic reporting dates.

Under the Fair Value Approach, the CSM or loss component at the transition date will be calculated as the difference between the fair value of a group of contracts at that date and the FCF at that date. The Company will measure the fair value of a group of contracts as the Solvency II best estimate liability of cash flows within the IFRS17 Contract Boundary, using a market value adjustment of approximately 90% (averaged across the Utmost Group) of:

- Solvency II best estimate experience assumptions plus best estimates for assumptions not required under Solvency II, plus
- a 50% share of the insurance company's Solvency II Risk Margin. The Solvency II Risk Margin is allocated to Groups of Insurance Contracts ("GICs) (the level of aggregation of contracts at which CSMs are determined) based on the relative contribution of those cohorts to the aggregated results.

The elimination of balances under IFRS 4 and replacement with IFRS 17 balances leads to a corresponding increase in shareholders' equity which is primarily caused by the release of prudence margins under IFRS 4 offset by the elimination of AVIF on contracts in scope of IFRS 4.

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

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

Amendments to IAS 12, 'Income Tax'
These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are not expected to have a material effect on the financial statements.

Amendments to IAS 1, 'Presentation of financial statements'
These amendments clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability as current or non-current.

Amendments to IFRS 16, 'Leases'
These amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
A number of narrow-scope amendments to IAS 1, Practice Statement 2, and IAS 8, and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 effective after 1 January 2022

- The amendments to IAS 1, Practice Statement 2 and IAS 8 aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, ' Leases'.

2.2 Consolidation

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

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

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

2.2.1 Subsidiaries

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

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

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

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

The power to govern the financial and operating policies generally accompanies a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company's accounting treatment of investments in subsidiaries is to hold at cost less impairment. Gains and losses on disposal of subsidiaries are recorded in the statement of comprehensive income in the year of disposal.

2.3 Foreign currency

2.3.1 Functional and presentation currency

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

2.3.2 Transactions and balances

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

2.4 Property and equipment

All property and equipment is stated at historical cost less depreciation.
Depreciation is calculated monthly, as follows:

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

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

The only leases that the Company have under IFRS 16 are for rented buildings associated with its physical presence in the jurisdictions in which it operates. The Company recognises an ROU asset related to the dilapidation of the buildings that it occupies and the requirement to restore it at the end of the lease period that is depreciated over the remaining period of the lease, as well as recognising a dilapidation provision related to this future expected outflow of economic benefits associated with the cost to restore the building to its former state.

2.5.1 Measurement

As a lessee the Company recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and any costs to reinstate the underlying asset (if deemed material), less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate as determined by the Company's subsidiary Utmost Portfolio Management Ltd, as the Company's incremental borrowing rate for that currency.

2.5.2 Subsequent measurement

The ROU asset is subsequently depreciated using the straight line method over the length of the lease.
The lease liability will be subsequently measured by increasing the carrying value to reflect the interest on the lease liability and reduced to reflect the lease payments made. Re-measurement occurs to reflect any reassessment or lease modifications.

2.5.3 Short term leases

The Company does not recognise ROU assets and lease liabilities for leases with a term of 12 months or less. The lease payments associated with these leases are expensed in a straight line and in accordance with the terms of the lease.

2.6 Computer software

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

2.7 Financial assets

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

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

2.7.1 Classification

2.7.1.1 Business model assessment

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

2.7.1.2 SPPI test

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

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

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

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

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

2.7.2 Financial assets at fair value through profit and loss

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

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

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

2.7.3 Classification of financial assets at fair value through other comprehensive income

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

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

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

2.7.4 Financial assets measured at amortised cost

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

2.7.5 Recognition and measurement

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

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

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

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

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

2.7.6 Determination of fair value

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

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

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

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

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

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

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

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

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

2.7.7 Derecognition of financial assets

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

2.8 Impairment of assets

2.8.1 Impairment of other financial assets

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

The key elements used in the calculation of ECLs are as follows:
Probability of default – This is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

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

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

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

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

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

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

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

2.8.2 Impairment of other non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.9 Derivative financial instruments

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

2.10 Cash and cash equivalents

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

2.11 Equity

Shares are classified as equity as there is no obligation to transfer cash or other assets

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

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

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

2.12 Insurance and investment contracts – classification

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

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

2.13 Liabilities under investments contracts - measurement

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

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

Premiums received and withdrawals from investment contracts are accounted for directly in the Statement of Financial Position as adjustments to the investment contract liability. Investment income and changes in fair value arising from the investment contract assets are included on a net basis in the Statement of Comprehensive Income. Benefits are deducted from financial liabilities and transferred to amounts due to investment contract holders on the basis of notifications received or, when the benefit falls due for payment, on the earlier of the date when paid or when the contract ceases to be included within those liabilities. The Company earns revenue on investment management, administration and other services provided to holders of investment contracts, as detailed in note 2.18.1 and is recognised in fee and commission income related to investment contracts. Revenue is recognised as the services are performed.

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

2.14 Liabilities under life insurance contracts - measurement

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

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

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

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders, including their employees or employees' beneficiaries where applicable. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid lump sum claims but does discount its liabilities for long term disability claims, spouse's and children's pensions. Liabilities for unpaid claims are split between those reported to the Company and those claims incurred but not reported. Liabilities for reported claims reflect the claim characteristics and expected claim duration. The expected ultimate cost of more complex health insurance claims may be affected by external factors (such as court decisions).

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

iii) Long-term insurance contracts with DPF – deposit administration
Deposit administration contracts contain a guaranteed rate of interest of up to 0.5% that varies by currency and reflects government bond yields, for a duration of maximum 2 years. The contracts also contain a DPF based on discretionary bonus rates declared by the Company, to the extent they may exceed the guaranteed rate. The Company targets a surplus funding level of between 5% and 10% and has an obligation to eventually pay to contract holders at least 85% of this surplus.

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

2.14.1 Recognition

Insurance liabilities are recognised when contracts are entered into and premiums are due under the contract.

2.14.2 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to assess whether the insurance contract liabilities and investment contract liabilities are adequate. Current best estimates of future cash flows are compared to the carrying value of the liabilities. Any deficiency is charged as an expense to the statement of comprehensive income. The Company's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4 Insurance Contracts, as they allow for current estimates of all contractual cash flows and of related cash flows such as claims handling costs. Cash flows resulting from embedded options and guarantees are also allowed for, with any deficiency being recognised as income or expense in the Statement of Comprehensive Income.

2.14.3 Reinsurance contracts

Reinsurance contracts held

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

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

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

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

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

The Company acting as reinsurer
Contracts entered into by the Company as reinsurer, under which the Company agrees to take on the liabilities of another entity and for which the Company is compensated, is accounted for under financial liabilities at fair value through profit and loss.

2.14.4 Receivables and payables related to insurance contracts and investment contracts

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

2.14.5 Deferred acquisition costs ("DAC")

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

The DAC also includes the client incentive premium when provided to certain Vision contract holders at the outset of the policy. This regular premium is an incentive whereby the contract holder benefited from one to three months free premium at policy inception depending on the premium payment term and premium amount. It is amortised in a straight-line method over the premium payment term. Reviews to assess the recoverability of deferred acquisition costs on investment contracts are carried out at each period end date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the Statement of Comprehensive Income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised. The Company has used historic exchange rates in accordance with IFRIC 22, within the determination of its DAC to meet IFRS 15.

2.14.6 Deferred income liability ("DIL")

The DIL represents the charges levied under investment contracts where payment for the services contractually due under such contracts is received in advance of the Company's performance of those services. The full amount of these fees is deferred and is amortised in a straight-line method over the premium payment term for the regular premium Vision product and the amortisation period of 30 years for single premium business (Note 18).
The Company has used historic exchange rates in accordance with IFRIC 22, within the determination of its DIL to meet IFRS 15.

2.14.7 Non-Life insurance contracts

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

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

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums including minimum and deposit premiums are calculated on a daily *pro rata* basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums and is presented as part of 'Accruals and deferred income and Insurance provisions'. For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

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

2.15 Other expenses

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

2.16 Taxation

The Company is subject to taxation in Guernsey, at a tax rate of 10%, which is the standard company tax rate for insurance businesses. Tax expense recognised in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

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

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

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

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

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

2.17 *Employee benefits*

2.17.1 Pension obligations

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

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

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

2.17.2 Exposure to risk of the defined benefit fund

The Company is exposed to the risk that additional contributions will be required in order to fund the defined benefit fund (the "fund") as a result of poor experience. Some of the key factors that could lead to shortfalls are:

- Investment performance – the return achieved on the fund's assets may be lower than expected.
- Interest rate risk – the risk that gilt performance will be affected by movements in interest rates.
- Investment mismatch – the characteristics of the fund's assets and liabilities may differ, meaning their respective valuations do not move together in in response to a change in the same valuation input, such as interest and inflation rates.
- Mortality – members could live longer than foreseen. This would mean that benefits are paid for longer than expected, increasing the value of the related liabilities.
- Options for members – members may exercise options resulting in unanticipated extra costs.

The fund has reduced its exposure to equities to 0% (2021: 73%), thereby removing the exposure of the employer to the risk of a general downturn in equity markets, and repositioned its portfolio primarily in gilts, which themselves carry exposure to interest rate risks. In order to assess the sensitivity of the fund's pension liability to these risks, sensitivity analyses have been carried out in note 19. Each sensitivity analysis is based on changing one of the assumptions used in the calculations, with no change in the other assumptions. The same method has been applied as was used to calculate the original pension liability and the results are presented in comparison to that liability. It should be noted that in practice it is unlikely that one assumption will change without a movement in the other assumptions, there may also be some correlation between some of these assumptions. It should also be noted that the value placed on the liabilities does not change on a straight-line basis when one of the assumptions is changed. For example, a 2% change in an assumption will not necessarily produce twice the effect on the liabilities of a 1% change.

2.17.3 Restriction of assets of the defined benefit fund

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

2.17.4 Fund amendments of the defined benefit fund

There have been no past service costs or settlements in the financial year ending 31 December 2022 nor 31 December 2021, since the Pension Scheme is closed to the future accrual of benefits.

2.17.5 Funding policy of the defined benefit fund

The Company is the sole employer in the fund. Following the cessation of accrual of benefits with effect from 31 December 2010, regular contributions to the fund are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation.

2.17.6 Liability to the defined benefit fund

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

2.18 Revenue recognition

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

2.18.1 Revenue from contracts with customers

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

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

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

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

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

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

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

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

2.18.1.1 Costs to obtain

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

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

2.18.1.2 Costs to fulfil

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

2.18.2 Interest income

Interest income for financial assets is recognised using the effective interest method.

2.19 Related party relationships and transactions

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

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

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

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

3. Critical accounting estimates and judgments in applying accounting policies

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

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

3.1 Critical accounting judgments

a) Functional currency
As noted in 2.3.1 management considered the Company's functional currency to be Pounds Sterling based on various considerations including the economic environment in which the Company operates.
Given the Company has significant operations in jurisdictions not based in Pounds Sterling, the selection of the functional currency is a critical judgement and accordingly management will continue to assess the functional currency in future periods to ensure it continues to reflect events and conditions relevant to the Company.

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

b) Product classification

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

c) Evaluation of business model applied in managing financial instruments

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

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

3.2 Accounting estimation uncertainties

a) Insurance contract liabilities

Insurance contract liability accounting is discussed in more detail in accounting policies 2.12 and 2.14 with further detail of the key assumptions made in determining insurance contract liabilities included in note 15.
Critical amongst these are the assumptions underpinning the classification of a contract as insurance or investment, in accordance with the definitions given in note 2.12, 2.13 and 2.14 and assumptions relating to longevity, as discussed in note 15.2.4.

b) Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policies 2.7, 2.8 and 2.9. Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities (mid for policyholder liabilities), without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair values are determined using valuation techniques including pricing models and discounted cash flow techniques. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and notes 2.7 and 4.7 provides further disclosures on fair value hierarchy and assumptions used to determine fair values.

c) Deferred income liability (DIL)

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

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

d) Deferred acquisition costs (DAC)

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

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

e) Determination of appropriate discount rate in measuring lease liabilities

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

f) Estimation of allowance for ECL

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

g) Impairment of non-financial assets

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

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

h) Valuation of post-employment defined benefit asset

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

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 19.

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

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount of any deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that there are no deferred tax assets recognised as at 31 December 2022 and 2021 as there is not sufficient taxable income in the respective jurisdictions, which these arose from.

In note 17, payables relating to investment contracts include judgements on potential future client compensation, and during the prior year, uncertainty relating to required regulatory provisions which have subsequently been released after regulatory approval.

4. Management of insurance and financial risk

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

4.1 Insurance risk

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

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

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

4.1.1 Insurance risk management

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

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

4.1.1.1 Annuity products

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

4.1.1.2 Insurance contracts with DPF

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

4.1.1.3 Unit-linked contracts - Investment

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

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

4.1.1.4 Short term - Health insurance

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

4.1.1.5 Short term - Death and disability insurance

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

4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. The most significant risks relate to market risk and currency risk. The Company segregates various asset and liability categories so that they can be matched, with the aim of minimising the interest rate risk whilst maintaining an appropriate credit quality within each segregated portfolio. Such matching focuses on the typical duration of each class of liabilities, and seeks to ensure that the associated assets' characteristics are similar in nature. Equity price risk is naturally hedged in some areas, in particular the exposure to unit linked contract holders, as the liability fluctuates in a near-identical fashion. The Company also retains some indirect equity price risk through the investments underlying its defined benefit pension scheme. Other risks, namely currency, liquidity and cash flow interest rate risk are either controlled at an operational level by the day-to-day application of risk management policies and procedures or overseen by the Board Investment Committee. The financial assets, which are most exposed to financial risk, are the investments in subsidiaries, amounts ceded to reinsurers from insurance provisions and receivables arising out of direct insurance operations and due from contract holders.

4.2.1 Financial risk management

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

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

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

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

Fixed and guaranteed investment contracts

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

4.2.2 Unit-linked contracts

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

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

All amounts in £000 unless otherwise stated

4.3 Capital Management

The Utmost Group Capital Management Policy and the Company's Capital Management Standard set out the framework within which the Company manages its capital position. Capital is managed under the framework requirements to meet the strategic objectives of both the Company and Utmost Group. These objectives include meeting all regulatory solvency requirements on an ongoing basis, while maintaining adequate margins to absorb short term fluctuations arising from changes in market, economic or other factors, and providing returns to shareholders. The Company periodically reviews the capital position and annually updates its medium-term capital management plan.

The regulatory solvency requirements are determined, principally, in accordance with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, and The Insurance Solvency Rules 2021 as well as with regard to similar requirements relating to the specific activities in other jurisdictions in which the Company is licensed. The Company is permitted under The Insurance Solvency Rules 2021 to adopt one of a number of recognised standard formulae in calculation of its solvency capital requirement. The Company has adopted the UK Solvency II requirements, as set by the Prudential Regulation Authority, in relation to the calculation of its capital requirements, and has received consent from the Guernsey Financial Services Commission, as set out in letters dated 10 December 2015 and 11 October 2021, to apply the UK Solvency II methodology in the determination of its available capital.

The UK Solvency II capital requirement considers market, credit, counterparty, underwriting and operational risks, and application of the standard formula itself is considered generally appropriate as an approach to determining the Company's overall capital requirement.

The Company is required by the Guernsey Financial Services Commission to maintain at all times a solvency ratio of at least 135%, and the Company's Capital Management Standard sets out a commitment to maintain a solvency ratio of at least 150% immediately following the payment of any dividend.

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

	2022 Provisional (unaudited)	**2021 (unaudited)**
Eligible own funds (available capital)	303,331	333,877
Solvency capital requirement	159,203	189,474
Solvency II ratio	191%	176%

The Company was compliant throughout the period with all capital requirements in the jurisdictions in which it is licensed.

4.4 Credit risk

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

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

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

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

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

Credit risk relating to financial instruments is monitored by the Company's investment team and the Risk Management function. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits. It is the Company's policy to invest in high quality financial instruments with a low risk of default.

The strength of reinsurers is monitored on a quarterly basis. Individual contracts are considered on a case by case where necessary.

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

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

All amounts in £000 unless otherwise stated

2022	AAA	AA	A	BBB	BB	Non-Rated	Total
Term deposits	-	2,007	1,607	-	-	2,538	6,152
Financial assets at fair value through OCI:							-
Corporate bonds, covered bonds, structured notes,	5,280	1,374	19,439	7,127	-	-	33,220
Government bonds	78,744	42,994	-	-	-	-	121,738
Financial assets at fair value through income:							-
Corporate bonds, covered bonds, structured notes,	20,273	91,209	56,267	21,134	-	-	188,883
Government bonds	132,390	165,667	-	1,677	-	410	300,144
Amount ceded to reinsurers	-	-	63,357	-	-	-	63,357
Receivables including insurance receivables	-	-	7,553	-	-	15,061	22,614
Subsidiaries	-	-	-	-	-	459	459
Cash at bank	-	26,971	16,026	-	-	4,956	47,953
Total	**236,687**	**330,222**	**164,249**	**29,938**	**-**	**23,424**	**784,520**

2021	AAA	AA	A	BBB	BB	Non-Rated	Total
Term deposits			1,791			2,267	4,058
Financial assets at fair value through OCI:							-
Corporate bonds, covered bonds, structured notes,	11,027	1,973	42,480	22,398	-	-	77,878
Government bonds	133,055	43,228	-	-	-	-	176,283
Financial assets at fair value through income:							-
Corporate bonds, covered bonds, structured notes,	24,174	99,932	59,803	22,893	-	-	206,802
Government bonds	99,865	172,516	1,806	2,329	-	-	276,516
Amount ceded to reinsurers	-	-	63,444	-	-	-	63,444
Receivables including insurance receivables	-	-	6,911	-	-	13,156	20,067
Subsidiaries	-	-	-	-	-	459	459
Cash at bank	-	2,334	31,902	-	-	5,338	39,574
Total	**268,121**	**319,983**	**208,137**	**47,620**	**-**	**21,220**	**865,081**

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

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

The Company has the contractual right to offset the reinsurance deposits included in the table in note 17 against the receivables due from the reinsurers, which have arisen from reinsurance contracts, included in note 10.

4.5 Liquidity risk

Maturity analysis of financial liabilities and assets

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

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

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

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

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

All amounts in £000 unless otherwise stated

	Cash Flows Due					
2022	**< 1 Year**	**1-5 Years**	**5-10 Years**	**10-20 Years**	**> 20 Years**	**Total**
Investment in subsidiaries and associates	-	-	-	-	459	459
Financial assets at fair value through OCI	80,641	71,772	2,545	-	-	154,958
Financial assets at fair value through profit or loss	199,929	241,586	36,555	20,278	12,860	511,208
Assets backing liabilities - Policyholder risk	2,972,885	62,208	17,490	1,456	2,616	3,056,655
Receivables including insurance receivables	22,614	-	-	-	-	22,614
Amounts ceded to reinsurers	18,368	3,034	29,634	12,321	-	63,357
Accrued income not including DAC	5,036	-	-	-	-	5,036
Cash and cash equivalents	54,105	-	-	-	-	54,105
Total financial assets	**3,353,578**	**378,600**	**86,224**	**34,055**	**15,935**	**3,868,392**
Insurance provisions	73,378	330,059	51,294	66,244	33,243	554,218
Investment contracts where the risk Is borne by the contract / policyholder	2,853,598	146,064	83	136	31,020	3,030,901
Lease liability	985	1,038	-	-	-	2,023
Payables Including Insurance payables	84,497	-	-	-	-	84,497
Total financial liabilities	**3,012,458**	**477,161**	**51,377**	**66,380**	**64,263**	**3,671,639**

	Cash Flows Due					
2021	**< 1 Year**	**1-5 Years**	**5-10 Years**	**10-20 Years**	**> 20 Years**	**Total**
Investment in subsidiaries and associates	-	-	-	-	459	459
Financial assets at fair value through OCI	95,712	147,394	11,055	-	-	254,161
Financial assets at fair value through profit or loss	68,387	307,129	68,628	35,857	21,053	501,054
Assets backing liabilities - Policyholder risk	3,379,665	65,641	28,382	1,900	5,104	3,480,692
Receivables including insurance receivables	20,067	-	-	-	-	20,067
Amounts ceded to reinsurers	17,922	2,362	11,902	27,906	3,352	63,444
Accrued income not including DAC	5,930	-	-	-	-	5,930
Cash and cash equivalents	43,632	-	-	-	-	43,632
Total financial assets	**3,631,315**	**522,526**	**119,967**	**65,663**	**29,968**	**4,369,439**
Insurance provisions	66,113	328,804	40,289	101,985	38,716	575,907
Investment contracts where the risk Is borne by the contract / policyholder	3,265,706	148,810	92	154	32,976	3,447,738
Lease liability	872	2,071	-	-	-	2,943
Payables Including Insurance payables	105,474	-	-	-	-	105,474
Total financial liabilities	**3,438,165**	**479,685**	**40,381**	**102,139**	**71,692**	**4,132,062**

4.6 Market risks

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

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

4.6.1 Interest-rate risk

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

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

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

The UK Solvency II requires an interest rate up stress calibrated at approximately 2% to 3% for short duration GBP bonds be considered at 31 December 2022. Based on this analysis, the Company's own assets would fall by £5,588 in the event of interest rates increasing by 2% to 3% (2021: £4,530)

4.6.2 Price risk

A 10% fall in world indices would result in a loss of £56 (2021: £1,802) based on the Company's own equity holdings.

A decrease of 10% in the value of the assets would reduce the asset management fees by £4,406 per annum (2021: £5,072).

Whilst there is significant exposure to the equity market from policyholder investments, equity price falls have no immediate impact on the statement of financial position by virtue of the reserving methodology adopted for investment classed business. The Company does not back any of its insurance contracts, other than unit-linked contracts, with equity and has limited equity exposure from shareholder investments. Equity price falls do however result in a fall in fee income, and therefore are detrimental to future profits.

All amounts in £000 unless otherwise stated

4.6.3 Foreign currency risk

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

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

In assessing the Company's net currency exposure reference has been made to the statement of financial position for financial assets and liabilities where the currency risk is experienced by the Company and not by the policyholders. Based on this analysis, the net exposure to currencies other than GBP amounts to £19,124 at 2022 (compared to £16,983 of non-GBP currencies at 2021) as shown in more detail in the table below:

	Net USD position	**Net EUR position**	**Net other currency positions**	**Total net exposure**
As at 31 December 2022	(51,352)	21,609	10,619	(19,124)
As at 31 December 2021	(44,621)	13,828	13,810	(16,983)

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

	Net USD position		**Net EUR position**		**Net other currency positions**		**Total net exposure**
	GBP Strengthens	GBP Weakens	GBP Strengthens	GBP Weakens	GBP Strengthens	GBP Weakens	
As at 31 December 2022	2,568	(2,568)	(1,080)	1,080	(531)	531	**-/+957**
As at 31 December 2021	2,231	(2,231)	(691)	691	(691)	691	**+/-931**

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

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

All amounts in £000 unless otherwise stated

4.7 Fair value hierarchy

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy. All assets have been determined as level 1 apart from £13.3m (2021 £8.7m) held by policyholders at their own risk and £0.04m (2021 £0.04m) of assets held by the Company. The analysis can be seen in the tables below:

The following table shows the fair value measurement hierarchy of the Policyholders and Company's assets and liabilities as at 31 December 2022:

2022	**Fair Value Measurement Using**			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets at fair value through OCI				
Debt security	154,958	-	-	154,958
Total financial assets at fair value through OCI	154,958	-	-	154,958
Financial assets at fair value through profit & loss				
Debt security	489,027	-	-	489,027
Investment funds	22,145	-	36	22,181
Investment back to policies where the risk is borne by the policyholder	3,038,054	-	13,259	3,051,313
Total financial assets at fair value through profit & loss	3,549,226	-	13,295	3,562,521
Total financial assets	**3,704,184**	**-**	**13,295**	**3,717,479**
Equity & liabilities				
Investment contracts at fair value through profit & loss	-	3,017,642	13,259	3,030,901
Total financial liabilities	**-**	**3,017,642**	**13,259**	**3,030,901**

2021	**Fair Value Measurement Using**			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets at fair value through OCI				
Debt security	254,161	-	-	254,161
Total financial assets at fair value though OCI	254,161	-	-	254,161
Financial assets at fair value through profit & loss				
Debt security	483,318	-	-	483,318
Investment funds	17,700	-	36	17,736
Investment back to policies where the risk is borne by the policyholder	3,472,026	-	8,666	3,480,692
Total financial assets at fair value through profit & loss	3,973,044	-	8,702	3,981,746
Total financial assets	**4,227,205**	**-**	**8,702**	**4,235,907**
Equity & liabilities				
Investment contracts at fair value through profit & loss	-	3,439,072	8,666	3,447,738
Total financial liabilities	**-**	**3,439,072**	**8,666**	**3,447,738**

The following table presents the changes in Level 3 instruments for the year ended 31 December 2022 and 2021.

2022	**Fair Value at FVTPL Debt Securities**	**Investment Funds**	**Investment back to policies - policy holder risk**	**Total**
Opening balance	**-**	**36**	**8,665**	8,701
(Sales) / Purchases	-	-	(986)	(986)
Unrealised gains/ (losses)	-	-	(330)	(330)
Transfer from level 1 to level 3	-	-	5,910	5,910
Closing balance	**-**	**36**	**13,259**	**13,295**

2021	**Fair Value at FVTPL Debt Securities**	**Investment Funds**	**Investment back to policies - policy holder risk**	**Total**
Opening balance	**972**	**52**	**11,212**	**12,236**
(Sales) / Purchases	(972)	-	(1,017)	(1,989)
Unrealised gains / (losses)	-	(16)	(1,077)	(1,093)
Transfer from level 3 to level 1	-	-	(453)	(453)
Closing balance	**-**	**36**	**8,665**	**8,701**

The investment back to policies –policyholder risk, level 3 instruments, as at 31 December 2022, are made up of investments where the asset has been placed into liquidation/ administration/ suspension or any such non-tradable status valued at the last available quoted price, reduced in line with the company's price write down policy. The policy is applied when no new prices are made available and where the updates received do not allow the Company to reasonably establish a revised value.

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

The own risk Level 3 instruments at 31 December 2022 made up of financial assets at fair value through profit or loss: Investment funds comprise:

	Holding	**Issuer**	**Name**	**£ 000's**
Financial asset at fair value through income: Investment funds	793,502	Tapestry Investment Co PCC	Red Ptg Pref NPV Post Red Nov	36

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

During 2021 own risk level 3 financial assets at fair value through profit & loss: Debt security instruments fully redeemed.

5 Property and equipment

	Furniture & Fittings	Leasehold Improvements	Total
Period ended 31 December 2022			
Opening net book amount	550	121	671
Additions	191	-	191
Depreciation charge	(292)	(28)	(320)
Closing net book amount	**449**	**93**	**542**
Period ended 31 December 2022			
Cost	7,555	330	7,885
Accumulated depreciation	(7,106)	(237)	(7,343)
Net Book Amount	**449**	**93**	**542**
	£'000	**£'000**	**£'000**
Period ended 31 December 2021			
Opening net book amount	571	148	719
Additions	354	-	354
Depreciation charge	(375)	(27)	(402)
Closing net book amount	**550**	**121**	**671**
Period ended 31 December 2021			
Cost	7,364	330	7,694
Accumulated depreciation	(6,814)	(209)	(7,023)
Net book amount	**550**	**121**	**671**

A depreciation expense of £320 (2021: £402) has been included within administrative expenses (note 27). All tangible assets are non-current assets.

6 Right-of-use assets

	2022	2021
Right of use asset - property		
Period ended 31 December		
Opening amount	2,750	3,885
(Disposal)/additions	1,100	(96)
Depreciation charge	(1,141)	(1,039)
Closing amount	**2,709**	**2,750**

During 2022, a right-of-use dilapidation asset was recognised of £1.1million, representing the estimated cost to restore the leased building in Guernsey to its former state upon termination of the lease, and is depreciated over the remaining term of the lease period.

All amounts in £000 unless otherwise stated

7 Lease liability

	2022	2021
Lease liability - property		
Period ended 31 December		
Opening amount	2,943	4,057
Additions	-	-
Interest charge	147	201
Lease payment	(1,121)	(1,312)
Exchange difference	54	(3)
Closing amount	**2,023**	**2,943**

The service charges relating to these lease contracts are included within administration expenses (note 27) and amounts to £197 (2021: £220).

The lease agreement in Guernsey imposes covenants on the Company that are in the ordinary course of a lease agreement such as restriction of use, compliance with laws and reasonable repair. The lease agreement expires on 2 April 2024, with an option to renew. The lease of the Swiss Branch office has been classified as a short-term lease as it is a rolling lease agreement with a 6-month termination period. Please refer to note 4.5 for a maturity analysis of the lease liability.

8 Investments in subsidiaries

	2022	2021
As at 1 January - cost	**459**	**459**
As at 31 December - cost	**459**	**459**

No subsidiaries have been impaired during the year or in the prior year.

Subsidiaries	**Country of Incorporation**	**% of Ordinary Shares Held 2022**	**2021**	**Date Acquired**	**Principal place of Business**
Utmost Portfolio Management Limited (UPM)	Guernsey	100	100	9 August 2007	Utmost House, Hirzel Street, St Peter Port, Guernsey
Utmost International Middle East Limited (UIME)	Dubai, UAE	100	100	8 April 2019	Unit OT 14-36, Level 12, Gate Central Park Offices, Dubai International Financial Centre, UAE
Utmost Worldwide Employee Pension Scheme Limited (formerly Winged Lion Pensions Limited)	Guernsey	100	100	5 September 2019	Utmost House, Hirzel Street, St Peter Port, Guernsey
Dynasty ICC Limited	Guernsey	100	100	18 November 2021	Utmost House, Hirzel Street, St Peter Port, Guernsey

All amounts in £000 unless otherwise stated

9 Financial assets

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

	Note	2022	2021
Financial assets at fair value through profit & loss	9.1	3,562,521	3,981,746
Financial assets at fair value through OCI	9.2	154,958	254,161
Financial assets at amortised cost:			
Amounts ceded to reinsurers from insurance provisions	15	63,357	63,444
Receivables including insurance receivables	10	22,614	20,067
Cash & cash equivalents	11	54,105	43,632
Total financial assets		**3,857,555**	**4,363,050**

9.1 Financial assets at fair value through profit and loss

	2022	2021
Financial assets at fair value through profit & loss:		
Debt securities:		
Corporate bonds, covered bonds, structured notes	188,883	206,802
Government bonds	300,144	276,516
Investment funds	22,181	17,736
Assets backing liabilities - policyholder risk:		
Equity securities	164,828	185,799
Debt securities - fixed interest rate:		
Corporate bonds, covered bonds, structured notes	81,074	89,299
Government bonds	26,095	19,556
Investment funds	2,603,302	2,998,840
Derivatives	74	1
Cash	175,693	186,915
Other short term investments	247	282
Financial assets at fair value through profit & loss	**3,562,521**	**3,981,746**
As at 1 January	**3,981,746**	**3,885,909**
FV net gain recognised (excluding net realised gains or losses) in profit and loss	(615,814)	122,494
Additions	733,328	827,161
Disposals (sales and redemptions)	(762,422)	(833,747)
Foreign exchange movement	225,683	(20,071)
As at 31 December	**3,562,521**	**3,981,746**

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

All amounts in £000 unless otherwise stated

9.2 Financial assets at fair value through OCI

	2022	2021
Financial assets at fair value through OCI		
Debt securities:		
Corporate bonds, covered bonds, structured notes	33,220	77,878
Government bonds	121,738	176,283
Financial assets at fair value through OCI	**154,958**	**254,161**
As at 1 January	**254,161**	**278,337**
Unrealised net gain/(loss) recognised (excl. net realised gains or losses) through OCI	(5,583)	(5,629)
Additions	61,675	48,747
Disposals (sales and redemptions)	(157,677)	(65,647)
Foreign exchange movement	2,382	(1,647)
As at 31 December	**154,958**	**254,161**

10 Receivables including insurance receivables

	2022	2021
Receivables arising out of direct insurance contracts:		
Due from contract holders	12,879	11,780
Receivables arising from reinsurance contracts:		
Due from contract holders	7,553	6,911
Other loans and receivables:		
Receivables due from other related parties	1,171	969
Incomes tax receivables	-	40
Other	1,011	367
Total receivables including insurance receivables	**22,614**	**20,067**

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

11 Cash and cash equivalents

Cash and cash equivalents include the following:

	2022	2021
Cash at bank	47,953	39,574
Short term deposits	6,152	4,058
Cash and cash equivalents	**54,105**	**43,632**

The year-end effective USD interest rate on short-term bank deposits was 0.00% (2021 0.08%). Interest rates offered at year-end are currently 0.45% on USD and 0.35% on GBP. No deposits other than USD are currently being placed.

Income earned from all call and term deposit accounts amounts to £229 (2021: £95).

12 Accrued income and prepayments

	2022	2021
Prepaid acquisition costs (DAC)	165,178	184,179
Bond interest	3,258	3,536
Other prepayments	1,470	1,420
Other accrued income	308	974
Total accrued income and prepayments	**170,214**	**190,109**
Current portion	19,420	21,786
Non-current portion	150,794	168,323
Total accrued income and prepayments	**170,214**	**190,109**
Deferred acquisition costs at 1 January	184,179	201,495
Acquisition costs capitalized during the year	4,121	8,269
Acquisition costs released during the year	(23,122)	(25,585)
Deferred acquisition costs at 31 December	**165,178**	**184,179**

13 Share Capital

	Authorised Shares	Issued shares	Share Capital £
As at 31 December 2021	150,000,000	100,230,699	100,230,699
As at 31 December 2022	**150,000,000**	**100,230,699**	**100,230,699**

All amounts shown represent actual figures and not rounded or ‘000’s amounts.

All amounts in £000 unless otherwise stated

14 Reserves

	2022	2021
Hong Kong required solvency margin	4,770	4,954
BVI minimum solvency margin	310	277
Equity component reserve	449	1,394
Non distributable reserve	**5,529**	**6,625**
Unrealised gains / (losses) on FA at FVTOCI	(8,775)	(3,192)
Currency translation reserve	7,635	7,635
Retirement benefit plan reserve	5,450	(1,166)
Revenue reserve	33,588	58,446
Total reserves	**43,427**	**68,348**

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

Equity component of discretionary participation feature (DPF)
The Company has implemented the advice of its Appointed Actuary in designating the equity component of DPF as non-distributable in the normal course of business.

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

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

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

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

All amounts in £000 unless otherwise stated

15 Insurance liabilities and reinsurance assets

	2022	2021
Non life insurance contracts		
Claims reported & loss adjustment expenses - direct business	29,039	26,341
Claims incurred but not reported - direct business	29,516	26,258
Unearned premiums	-	810
Short term insurance contracts		
Claims reported & loss adjustment expenses - direct business	59,666	59,217
Claims incurred but not reported - direct business	3,222	3,278
Unearned premiums	9,575	7,217
Provision for profit sharing	98	89
Long term insurance contracts		
Mathematical provision - direct business	388,960	411,193
Provision for policies where the investment risk is borne by the policy holders	11,104	13,559
Provision for liability adequacy	2,436	4,074
Insurance liabilities - direct business	**533,616**	**552,036**
Non life insurance contracts		
Claims reported & loss adjustment expenses - reinsurance accepted	708	490
Claims incurred but not reported - reinsurance accepted	6,391	5,577
Long term insurance contracts		
Mathematical provision - reinsurance accepted	13,503	17,804
Insurance provisions - reinsurance accepted	**20,602**	**23,871**
Total insurance liabilities - gross	**554,218**	**575,907**
Recoverable from reinsurers		
Non life insurance contracts		
Claims incurred but not reported - direct business	-	(1,257)
Unearned premiums	-	(810)
Short term insurance contracts		
Claims reported & loss adjustment expenses - direct business	(52,851)	(52,710)
Claims incurred but not reported - direct business	(2,681)	(2,703)
Unearned premiums	(7,388)	(5,114)
Provision for profit sharing	(78)	(72)
Long term insurance contracts		
Mathematical provision - direct business	(359)	(778)
Total reinsurers share of insurance liabilities	**(63,357)**	**(63,444)**
Net position	**490,861**	**512,462**

All amounts in £000 unless otherwise stated

15.1 Insurance liabilities and reinsurance assets (continued)

	2022	2021
Net position is made up as follows		
Non life insurance contracts		
Claims reported & loss adjustment expenses - direct business	29,747	26,831
Claims incurred but not reported - direct business	35,907	30,578
Unearned premiums	-	-
Claims reported & loss adjustment expenses - direct business	6,815	6,507
Claims incurred but not reported - direct business	541	575
Unearned premiums	2,187	2,103
Provision for profit sharing	20	17
Long term insurance contracts		
Mathematical provision	402,104	428,219
Provision for policies where the investment risk is borne by the policy holders	11,104	13,559
Provision for liability adequacy	2,436	4,074
Total insurance liabilities - net	**490,861**	**512,463**

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

15.1.1 Medical contracts

Process used to determine the assumptions for reserving

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

These methodologies were used consistently for prior year comparisons.

15.1.2 Commercial contracts

Process used to determine the assumptions for reserving

Commercial claims reserves consist of Outstanding Claims reserve (OCR) for gross claims received and Claims Incurred But Not Reported (IBNR). The OCR reserve is an assessment of gross claims received based on information supplied by a third party claims manager and reserved at 100% for claims where formal notification of settlement has been received and assessed, 54% for unsubstantiated claims which appear on the latest Table of Claims (TofC) provided by the claims manager (54% based on settlement of a former unsubstantiated claim) and 10% for unsubstantiated claims which once appeared on the TofC but no longer appear on the current TofC. In certain circumstances other percentages are used due to policy/contractual sub limits or when claims have been made under incorrect policy section. The IBNR is calculated by applying an estimated loss ratio (based on historic triangulated claims data) to premiums received over the lifetime of the Policy and deducting cumulative claims paid as well as OCR.

All amounts in £000 unless otherwise stated

These methodologies were used consistently for prior year comparisons.

Sensitivity analysis
The sensitivity to changes in the OCR was considered. If unsubstantiated claims which appear on the latest TofC were reserved at 100% the OCR reserve would increase by USD$10.8m, however, by retaining the estimated loss ratio used in the method, this would be offset by an equal decrease in the IBNR. If both categories of unsubstantiated claims (i.e. those that do and do not appear on the latest TofC) were reserved at 100% then the OCR reserve would increase by USD$73.2m. By retaining the estimated loss ratio used in the method, but also limiting the IBNR to a minimum of USD$3.5m (representing internal costs modelled in the IBNR), this increase of USD$73.2m would be offset by a decrease in the IBNR of USD$39.9m. The total commercial claims reserve would increase by USD$33.3m and the overall predicted claims paid over the lifetime of the policy from USD$121.6m to USD$154.9m.

The company is party to a stop loss reinsurance agreement which indemnifies losses over the lifetime of the policy at 90% between USD$123m and the aggregate policy limit of USD$170m. A USD$33.3m increase in claims reserves would be offset by a recovery through the stop loss reinsurance agreement of USD$28.7m (USD$154.9m less USD$123m at 90%), and would therefore decrease the Net Asset Value of the Company by USD$4.6m (£3.8m).

The sensitivity to changes in the estimated loss ratio was considered. A reduction in the estimated loss ratio of 10% (with no change to the OCR) would decrease the IBNR provision, and hence the total commercial claims reserve, by USD$17.1m (£14.1m).

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

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

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

15.2.3 Economic reference data
The economic assumptions are based on the following reference data:

		2022	**2021**
		%	**%**
UK government bond yields	5 Year	3.25	0.80
	10 Year	3.42	0.97
	20 Year	3.78	1.20
Index linked real yields	10 Year	0.05	(2.60)
European government bond yields	5 Year	2.51	(0.37)
	10 Year	2.56	0.03
	20 Year	2.67	0.29

All amounts in £000 unless otherwise stated

US agency bond yields	5 Year	3.63	1.27
	10 Year	3.47	1.51
	20 Year	3.79	1.92
Swiss government bond yields	5 Year	1.13	(0.37)
	10 Year	1.29	(0.10)
	20 Year	1.36	0.03
Cash rates	GBP	0.35	0.00
	USD	0.45	0.00
	EUR	0.00	0.00
Corporate credit spreads over A rated corporate bonds	GBP	1.22	0.68
	USD	0.79	0.39
	EUR	0.89	0.59

15.2.4 Discount rate assumptions

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

		2022	**2021**
		%	**%**
Annuity products	GBP	4.32	1.21
	USD	4.27	1.66
	EUR	2.81	0.28
	CHF	1.65	(0.18

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

		2022	**2021**
		%	**%**
Long term disability claim reserves	GBP	3.51	0.50
	USD	3.88	1.22
	EUR	2.47	(0.49)
	CHF	1.58	(0.47)

All amounts in £000 unless otherwise stated

15.2.5 Maintenance expense and inflation assumptions

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

15.3 Sensitivity analysis

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

The sensitivity to change in operational assumptions was considered. A decrease in future mortality improvements by 10% has been estimated to increase the provisions by £2.7m (2021 £4.3m). A combined decrease in future mortality by 10% and a 1% additive increase in future mortality improvements has been estimated to increase the provisions by £3.8m (2021: £6.8m). The 1% additive increase is an amount over and above the long-term assumption, the effect of which is the Company pays annuities that are in force for longer.

16 Financial liabilities at fair value through profit and loss

	2022	2021
Investment contracts where the investment risk is borne by the contract holder	3,022,096	3,447,717
Investment contracts where the investment risk is borne by the related party	8,805	-
Derivatives - policyholder risk	-	21
Total financial liabilities at fair value through profit & loss	**3,030,901**	**3,447,738**
As at 1 January	**3,447,738**	**3,303,413**
Deposits to investment contracts	226,081	322,170
Withdrawals from investment contracts	(282,382)	(407,756)
Policy charges	(20,683)	(45,552)
Attributable Investment Movements	(508,054)	289,556
Fx movements	168,201	(14,093)
As at 31 December	**3,030,901**	**3,447,738**

Investment contracts where the risk is borne by the related party relates to reinsurance contracts with related parties. Please refer to note 33.

17 Payables including insurance payables

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

All amounts in £000 unless otherwise stated

	2022	2021
Payables arising out of direct insurance operations	3,888	6,576
Payables relating to investment contracts	19,974	29,781
Payables arising out of reinsurance operations	5,638	13,355
Reinsurance deposits	45,491	46,209
Income Tax	960	-
Payable to other related parties	94	60
Social security and other tax payables	4,662	4,183
Investment trade settlements due	1,066	220
Other payables	2,724	5,090
Total payables including insurance payables	**84,497**	**105,474**
Current portion	**84,497**	**105,474**

Investment trade settlements due relate to brokers control and fluctuates between a receivable and a payable on a quarterly basis.

18 Accruals and deferred income

	2022	2021
Deferred income liability	210,282	237,942
Unearned premiums received	1,696	2,026
Expense accruals	12,988	17,943
Other accruals	903	1,506
Total accruals and deferred income	**225,869**	**259,416**
Current portion	39,905	41,013
Non-current portion	185,964	218,403
Total accruals and deferred income	**225,869**	**259,416**

	2022	2021
Deferred income liability at 1 January	237,942	271,068
Fees received and deferred during the year	10,027	11,381
Recognised as fee income in profit or loss during the year	(37,687)	(44,507)
Total accruals and deferred income	**210,282**	**237,942**

The expense accruals include items such as general expenses, staff bonus accrual, negative portfolio bond policies and other policyholder amounts. Included within other accruals there are amounts for accrued commercial insurance premiums, Cayman and Bahamas liabilities and provision for doubtful debtors in the risk business.

All amounts in £000 unless otherwise stated

19 Post-employment defined benefit asset

19.1 Nature of the defined benefit fund

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

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

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

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

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

	2022	**2021**
Present value of funded obligations	(10,641)	(20,491)
Fair value of plan assets	20,328	23,509
Net asset recognised in the statement of financial position	**9,687**	**3,018**
The amounts recognised in the profit or loss are as follows		
Net interest on defined benefit obligation	(53)	(1)
	(53)	**(1)**
The amounts recognised in the statement of comprehensive income are as follows		
Re-measurement on defined benefit plan	6,616	2,979
	6,616	**2,979**

Change in retirement benefit obligation	**2022**	**2021**
Retirement benefit obligation at 1 January	20,491	22,117
Benefits paid	(66)	(1,175)
Interest on obligation	362	301
Experience gains	197	(635)
(Gains) / losses from changes in financial assumptions	(10,390)	(67)
(Gains) / losses from changes in demographic assumptions	47	(50)
Retirement benefit obligation at 31 December	**10,641**	**20,491**

All amounts in £000 unless otherwise stated

Change of fair value of plan assets	**2022**	**2021**
Opening fair value of plan assets	23,509	22,154
Return on assets (interest)	416	302
Return on assets (excluding interest)	(3,531)	2,228
Benefits paid	(66)	(1,175)
Closing fair value of plan assets	**20,328**	**23,509**

The weighted average duration of the liabilities of the scheme was 25 years as at 31 December 2022 (2021: 27 years).

Plan asset disaggregation by asset class	**2022**	**2021**
	%	**%**
Equities	-	73.4
Gilts	51.1	9.0
Corporate Bonds	14.4	14.2
Property	-	2.7
Cash	34.5	0.7
	100	**100**

Plan assumptions	**2022**	**2021**
	%	**%**
Discount rate at end of year	4.7	1.8
Discount rate at start of year	1.8	1.4
Inflation	3.3	3.4
Rate of increase in deferred pensions	3.2	3.3
Rate of increase in pension payments	3.2	3.3
Rate of increase in pensions in payment for former Sun Alliance members	3.5	3.5

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

The assumptions are that a member aged 63 will live on average until age 88.5 (2021: 88.2) if they are male and until age 90.1 (2021: 89.9) if female.

For a member currently aged 50 (2021: 50) the assumptions are that if they attain age 63 they will live on average until age 89.4 (2021: 89.2) if they are male and until age 91.2 (2021: 91.0) if female.

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

All amounts in £000 unless otherwise stated

		Impact on Retirement Benefit Obligation	
2022	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
Discount Rate	0.5%	Decrease by 9.5%	Increase by 10.9%
Inflation	0.5%	Increase by 8.7%	Decrease by 8.2%
Pension Increases	0.5%	Increase by 7.0%	Decrease by 6.4%
		Change to 105%	**Change to 95%**
Scaling factor applied to base mortality table		Decrease by 1.0%	Increase by 1.0%

		Impact on Retirement Benefit Obligation	
2021	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
Discount Rate	0.5%	Decrease by 11.9%	Increase by 14.0%
Inflation	0.5%	Increase by 10.3%	Decrease by 10.3%
Pension Increases	0.5%	Increase by 8.6%	Decrease by 7.7%
		Change to 105%	**Change to 95%**
Scaling factor applied to base mortality table		Decrease by 1.5%	Increase by 1.6%

Funding policy

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

There are no amounts recognised during the year for payments to the defined benefit scheme (2021: £NIL).

20 Net insurance premium revenue

	2022	2021
Direct insurance contracts		
Premium revenue arising from insurance contracts issued	83,599	81,411
Accepted reinsurance contract		
Premium revenue arising from reinsurance contracts accepted	-	(6)
Reinsurance contracts ceded		
Premium revenue ceded to reinsurers on insurance contracts	(35,884)	(31,146)
Net insurance premium revenue	**47,715**	**50,259**

All amounts in £000 unless otherwise stated

21 Net income from financial instruments at fair value

	2022	2021
Dividend income		
Financial instruments at FVTPL - own risk	140	-
Financial instruments at FVTPL - policyholder risk	7,477	9,051
Total dividend income	**7,617**	**9,051**
Interest		
Income from financial instruments at FVTOCI - own risk	2,223	2,756
Income from financial instruments at FVTPL - own risk	8,027	7,793
Income from financial instruments at FVTPL - policyholder risk	7,002	5,919
Net interest income	**17,252**	**16,468**
Net realised gains & (losses) on financial assets		
Net loss on financial assets at FVTOCI - own risk	(2,012)	(192)
Net gain on financial assets at FVTPL - own risk	(659)	1,233
Net gain on financial assets at FVTPL - policyholder risk	47,297	134,342
Net realised gain on financial assets	**44,626**	**135,383**
Net unrealised gains & (losses) on financial assets		
Net (loss) / gain on financial assets at FVTPL - own risk	(46,393)	(17,983)
Net gain on financial assets at FVTPL - policyholder risk	(569,071)	140,244
Net unrealised gains on financial assets	**(615,464)**	**122,261**
Change in investment contract liabilities	515,054	(272,848)
Net income from financial instruments at fair value	**(30,915)**	**10,315**

22 Fee and commission income related to investment contracts

	2022	2021
Fee income from investment contracts	29,971	22,944
Net movement in deferred income liability	27,660	33,126
Other fee income - including commission and rebate income	13,239	11,735
Total fee and commission income related to investment contracts	**70,870**	**67,805**

23 Other income

	2022	2021
Commission on ceded reinsurance - Group Life and disability	2,929	3,115
Other	247	1,794
Total other income	**3,176**	**4,909**

Other income relates to the recognition of commission on ceded reinsurance.

All amounts in £000 unless otherwise stated

24 Insurance benefits and claims

Period Ended 31 December 2022	Gross	Reinsurance Recovery	Grand Total
Payments, Direct And Accepted Insurance	82,934	(18,475)	64,459
Movements in provision			
Other Long Term Insurance Contracts And Investment Contracts With DPF	(58,733)	479	(58,254)
Other, Including Short Term Insurance Contracts	(3,009)	4,268	1,259
	(61,742)	**4,747**	**(56,995)**
Total Net Insurance Benefits & Claims	**21,192**	**(13,728)**	**7,464**

Period Ended 31 December 2021	Gross	Reinsurance Recovery	Grand Total
Payments, Direct And Accepted Insurance	84,141	(15,812)	68,329
Movements in provision			
Other Long Term Insurance Contracts And Investment Contracts With DPF	(37,054)	132	(36,922)
Other, Including Short Term Insurance Contracts	(22,306)	13,685	(8,621)
	(59,360)	**13,817**	**(45,543)**
Total Net Insurance Benefits & Claims	**24,781**	**(1,995)**	**22,786**

25 Interest expense

	2022	2021
Interest on Lease Liability	147	201
Interest Expense	170	102
Total Interest Expense	**317**	**303**

26 Expenses for the acquisition of insurance and investment contracts

	2022	2021
Expenses for the acquisition of insurance and investment contracts	2,476	14,070
Net movement on deferred acquisition costs	19,001	17,316
Other expenses for the acquisition of contracts	1,481	2,992
Total Expenses for the Acquisition of Insurance and Investment Contracts	**22,958**	**34,378**

All amounts in £000 unless otherwise stated

27 Administration expenses

	Note	2022	2021
Depreciation, Amortisation And Impairment Charges	**5, 6**	1,460	1,420
Wages And Salaries		8,019	11,642
Social Security Costs		547	575
DC pension contribution costs		601	713
Pension administration costs - DB and DC plans		65	87
Services Charge	**7**	197	220
Software Costs		2,605	2,375
Audit Fees		999	812
Non Audit Fees		(19)	125
Purchase of Other Goods and Services		9,011	12,301
Total Administration Expenses		**23,485**	**30,270**

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

28 Income taxes

Statement of comprehensive income	**2022**	**2021**
Current tax		
Current year income tax	1,169	2,178
Utilisation of prior year carried forward losses	-	(2,007)
Under/(over) provision - prior year	119	77
Income tax expense	**1,288**	**248**

Reconciliation of tax charge	**2022**	**2021**
Profit before tax (including discontinuing operations)	**35,335**	**44,767**
Guernsey standard tax rate for insurance business	10%	10%
Current tax on profits for the year	3,533	4,476
Effect of the higher tax rates in the other jurisdictions in which the Company operates	1,307	2,397
Effect of utilising operating losses in other jurisdictions in which the Company operates	-	(2,007)
Effect of activities subject to 0% tax rate	(3,527)	(4,468)
General provision/ (reversal) for taxes	-	-
Adjustment to tax charge in respect of prior years	120	77
Under provision	(145)	(227)
Total current tax (credit) / expense	**1,288**	**248**

All amounts in £000 unless otherwise stated

Tax payable	**2022**	**2021**
At 1 January	40	184
Current year	960	-
Adjustment for prior year	(40)	(144)
At 31 December	**960**	**40**

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

The taxable profit is provided to the relevant tax authorities on the basis of local accounting standards and audited financial statements and adjusted as required in each jurisdiction in which the Company operates. The differences in IFRS profits and taxable profits give rise to immaterial differences in the tax noted in each period and as such the Company is not recognising any deferred tax. Furthermore where there are any brought forward tax losses the Company has taken a prudent approach and would only consider recognising a deferred tax asset if the future profits could be considered more probable than not.
Tax on the Company's profit differs from the theoretical amount that would arise on the taxable profit using the standard rate of Guernsey taxation applicable to the Company as follows:

The applicable tax rate for the year in Guernsey was 10% on local business (2021: 10%). Applicable tax rates in other jurisdictions where the Company suffers taxation were Hong Kong 16.5% (2021: 8.25% on the first HKD 2 million and 16.5% on the remainder thereafter), 12.5% in Ireland (2021: 12.5%), an effective rate of 23.1% (2021: 20.3%) in Switzerland and 17% in Singapore (2021: 17%).

No income tax receivable was recognised in note 10 (2021: £40K). There were no deferred taxes recognised during the year.

The Singapore Branch had an assessed unutilised tax loss carried forward of 4,029,683 SGD at year-end which will be offset against future taxable profits in the Branch. No other Branches had assessed tax losses carried forward at year-end.

29 Discontinued operations

On February 2019, the Board stated its intention to cease selling non-life insurance policies. In December 2021, the company received the final premiums from its Bahamian non-life medical policies and in May 2022, it received the final premiums from its Cayman non-life medical policies. As the company's obligations to pay claims on these policies ceased 6 months following the last receipt of premiums, all obligations relating to the medical business ceased on 31 December 2022. The medical insurance business is the only operation presented as a discontinued operation in 2022. Please refer to notes 32.1 and 32.2 for a further breakdown.

All amounts in £000 unless otherwise stated

The post-tax loss on the discontinued operations was determined as follows:

Results of discontinued operations	**2022**	**2021**
Total income	27	1,029
Net insurance benefits and claims	310	(573)
Expenses	(83)	(479)
Profit/(Loss) for the year	254	(23)

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations

	2022	**2021**
Operating activities	251	(19)
Investing activities	3	(4)
Net cash from discontinued operations	254	(23)

30 Contingencies, commitments and guarantees

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

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

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

There are no outstanding commitments as at 31 December 2022 nor 31 December 2021.

31 Business sector report of Utmost Worldwide Limited for the Utmost Worldwide Limited Hong Kong Branch regulated by Hong Kong Insurance Authority

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

All amounts in £000 unless otherwise stated

		Annuities	Contracts with DPF	Unit Linked Contracts		Short Term Insurance Contracts	Corporate	
2022				**Insurance Contracts**	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets, Liabilities & Equity**
Hong Kong business class	**Total**	**A**	**C & G**	**C**	**C & H**	**A & Supplementary General**	**N/A**	**N/A**
Investment In subsidiaries & associates	459	-	-	-	-	-	459	-
Financial assets at fair value through OCI:								
Corporate bonds, covered bonds, structured note	33,220	-	-	-	-	-	33,220	-
Government bonds	121,738	-	-	-	40,741	-	80,997	-
Financial assets at fair value through profit and loss:		-	-	-	-	-	-	-
Corporate bonds, covered bonds, structured note	188,883	34,129	119,799	-	-	34,955	-	-
Government bonds	300,144	34,204	209,664	-	-	56,276	-	-
Investment funds	22,181	-	4,225	-	-	6,308	11,648	-
Assets backing liabilities - policyholder risk:								
Equity securities	164,828	-	-	-	164,828	-	-	-
Corporate bonds, covered bonds, structured note	81,074	-	-	-	81,074	-	-	-
Government bonds	26,095	-	-	-	26,095	-	-	-
Investment funds	2,603,302	-	-	11,597	2,591,705	-	-	-
Policyholder cash and cash equivalents	175,693	-	-	171	175,522	-	-	-
Other policyholder financial assets	247	-	-	-	247	-	-	-
Derivatives	74	-	-	-	74	-	-	-
Amount ceded to reinsurers from Insurance provisions	63,357	359	-	-	-	62,998	-	-
Receivables arising out of direct insurance operations - due from contract holders	20,432	-	-	-	-	20,388	44	-
Other receivables	2,182	-	-	-	-	2	2,180	-
Other assets	183,152	1,504	1,049	-	92	512	176,743	3,252
Cash & cash equivalents	49,335	413	4,822	5,254	5,203	16,068	17,575	-
Cash – Hong Kong solvency margin held	4,770		196	26	139	3,971	-	438
Total assets	**4,041,166**	**71,047**	**339,755**	**17,048**	**3,085,720**	**201,478**	**322,866**	**3,252**

All amounts in £000 unless otherwise stated

		Annuities	Contracts with DPF	Unit Linked Contracts		Short Term Insurance Contracts	Corporate	
2022				**Insurance Contracts**	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets, Liabilities & Equity**
Hong Kong business class	**Total**	**A**	**C & G**	**C**	**C & H**	**A & Supplementary General**	**N/A**	**N/A**
Insurance provisions direct insurance	533,616	52,579	336,350	11,764	-	131,148	1,775	-
Insurance provisions accepted insurance	20,602	13,503	-	-	-	7,099	-	-
Financial liabilities at fair value through profit & loss:								
Investment contracts - policyholder risk	3,030,901	-	-	-	3,030,901	-	-	-
Trade & other payables	29,480	-	1,508	-	22,156	4,743	1,073	-
Payables - arising out of direct insurance	3,888	1,076	520	280	-	460	1,552	-
Payables - arising out of reinsurance operations	51,129	534	-	-	-	48,611	1,984	-
Other liabilities	2,023	-	-	-	-	-	-	2,023
Accruals & deferred income, (debtors) and creditors	225,869	(11,796)	1,180	433	(882)	5,445	231,489	-
Shareholder equity	143,658	-	-	-	-	-	-	143,658
Total liabilities and equity	**4,041,166**	**55,896**	**339,558**	**12,477**	**3,052,175**	**197,506**	**237,873**	**145,681**

All amounts in £000 unless otherwise stated

		Annuities	Contracts with DPF	Unit Linked Contracts		Short Term Insurance Contracts	Corporate	
2021				**Insurance Contracts**	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets, Liabilities & Equity**
Hong Kong business class	**Total**	**A**	**C & G**	**C**	**C & H**	**A & Supplementary General**	**N/A**	**N/A**
Investment In subsidiaries & associates	459	-	-	-	-	-	459	-
Financial assets at fair value through OCI:								
Corporate bonds, covered bonds, structured note	77,878		-	-	-	-	77,878	-
Government bonds	176,283	-	-	-	36,641	-	139,642	-
Financial assets at fair value through profit and loss:								
Corporate bonds, covered bonds, structured note	206,802	42,355	139,058	-	-	25,389	-	-
Government bonds	276,516	52,538	187,341	-	-	36,637	-	-
Investment funds	17,736	-	12,737	-	-	4,286	713	-
Assets backing liabilities - policyholder risk:								
Equity securities	185,799	-	-	-	185,799	-	-	-
Corporate bonds, covered bonds, structured note	89,299	-	-	-	89,299	-	-	-
Government bonds	19,556	-	-	-	19,556	-	-	-
Investment funds	2,998,840	-	-	14,958	2,983,882	-	-	-
Policyholder cash and cash equivalents	186,915	-	-	150	186,765	-	-	-
Other policyholder financial assets	282	-	-	-	282	-	-	-
Derivatives	1	-	-	-	1	-	-	-
Amount ceded to reinsurers from Insurance provisions	63,444	778	-	-	-	62,666	-	-
Receivables arising out of direct insurance operations - due from contract holders	18,691	-	-	-	-	18,575	116	-
Other receivables	1,376	-	-	-	-	45	1,331	-
Other assets	196,548	1,580	1,122	-	195	422	189,808	3,421
Cash & cash equivalents	38,678	-	3,226	4,866	-	18,811	11,775	-
Cash – Hong Kong solvency margin held	4,954	593	206	31	189	3,935	-	-
Total assets	**4,560,057**	**97,844**	**343,690**	**20,005**	**3,502,609**	**170,766**	**421,722**	**3,421**

All amounts in £000 unless otherwise stated

2021		**Annuities**	**Contracts with DPF**	**Unit Linked Contracts**		**Short Term Insurance Contracts**	**Corporate**	
				Insurance Contracts	**Investment Contracts**	**Health & Other Insurance**	**Other Financial Assets & Liabilities**	**Other Assets, Liabilities & Equity**
Hong Kong business class	**Total**	**A**	**C & G**	**C**	**C & H**	**A & Supplementary General**	**N/A**	**N/A**
Insurance provisions direct insurance	552,036	71,865	339,293	15,103	-	123,246	2,529	-
Insurance provisions accepted insurance	23,871	17,805	-	-	-	6,066	-	-
Financial liabilities at fair value through profit & loss:								
Investment contracts - policyholder risk	3,447,738	-	-	-	3,447,738	-	-	-
Trade & other payables	39,334	-	1,472	-	31,210	6,356	296	-
Payables - arising out of direct insurance	6,576	1,137	300	379	-	542	4,218	-
Payables - arising out of reinsurance operations	59,564	182	-	-	-	57,040	2,342	-
Other liabilities	2,943	-	-	-	-	-	-	2,943
Accruals & deferred income, (debtors) and creditors	259,417	(7,522)	2,418	433	95	(29,519)	293,512	-
Shareholder equity	168,578	-	-	-	-	-	-	168,578
Total liabilities and equity	**4,560,057**	**83,467**	**343,483**	**15,915**	**3,479,043**	**163,731**	**302,897**	**171,521**

All amounts in £000 unless otherwise stated

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

	2022		2021	
	£	B$	£	B$
Assets				
Amount ceded to reinsurers from insurance provision	-	-	55	74
Receivables				
Receivables arising out of direct insurance operations	2,585	3,126	5,835	7,625
Other receivables	1	2	1	2
Cash and cash equivalent	3,758	4,546	4,139	4,799
Accrued income and prepayments	8	10	76	104
	6,352	**7,684**	**10,106**	**12,604**
Liabilities				
Revenue reserves	1,028	171	(590)	(851)
Insurance provisions				
Insurance provision, direct insurance	-	-	55	74
Payables				
Payables arising out of reinsurance operations	-	-	3,169	4,290
Other payables	4,644	5,618	4,150	5,617
Other liabilities	680	1,895	3,322	3,474
	6,352	**7,684**	**10,106**	**12,604**

B$ - Bahamian Dollars

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

All amounts in £000 unless otherwise stated

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

	2022		2021	
	£	**B$**	**£**	**B$**
Gross earned premiums	44	53	3,333	4,010
Earned premium ceded	(44)	(53)	(3,213)	(3,721)
Net earned premiums	-	-	120	289
Interest and other investment income	2	2	3	4
Other income	-	-	132	154
Total income	2	2	255	447
Net insurance and reinsurance benefits and claims	136	169	(839)	(1,142)
Expenses for the acquisition of insurance and investment contracts	-	-	(24)	(156)
Gains on foreign currency and revaluations	890	-	18	-
Total expenses	1,026	169	(845)	(1,298)
Profit before tax	**1,028**	**171**	**(590)**	**(851)**
Income taxes	-	-	-	-
Profit for the year	**1,028**	**171**	**(590)**	**(851)**

The split between Protection and discontinued Medical business is as follows:

	2022	2021
	£	**£**
Medical Income	2	135
Protection Income	-	120
Total Income	2	255

	2022	2021
Medical net insurance benefits and claims	136	(601)
Protection net insurance benefits and claims	-	(238)
Total Net insurance benefits and claims	136	(839)

	2022	2021
Medical Expenses	-	-
Protection Expenses	-	24
Expenses (excluding revaluation movement)	-	24

B$ - Bahamian Dollars

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

All amounts in £000 unless otherwise stated

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

	2022		2021	
	£	**$**	**£**	**$**
Assets				
Amount ceded to reinsurers from insurance provision	-	-	1,202	1,628
UPR amount ceded to reinsurers from insurance provision	-	-	810	1,097
Receivables				
Receivables arising out of direct insurance operations	-	-	187	253
Receivables arising out of reinsurance operations	830	1,004	1,072	1,450
UPR receivables arising out of direct insurance operations	-	-	1,130	1,529
Cash and cash equivalents	6,931	8,383	7,095	9,604
Accrued income and prepayments	-	-	71	95
	7,761	**9,387**	**11,567**	**15,656**
Liabilities				
Revenue reserve	2,400	1,101	796	1,007
Insurance provisions				
Insurance provision, direct insurance	-	-	1,897	2,568
UPR insurance provision, direct insurance	-	-	1,130	1,529
Payables				
Payables arising out of direct insurance operations	1,049	1,269	3,008	4,072
Payables arising out of reinsurance operations	162	196	29	39
UPR payables arising out of direct insurance operations	-	-	810	1,097
Other payables	49	60	7	9
Other liabilities	4,101	6,761	3,890	5,335
	7,761	**9,387**	**11,567**	**15,656**

$ - United States Dollars

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

All amounts in £000 unless otherwise stated

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

	2022		**2021**	
	£	**$**	**£**	**$**
Gross earned premiums	386	528	12,678	17,496
Earned premium ceded	(349)	(482)	(11,683)	(16,126)
Net earned premiums	37	46	995	1,370
Interest and other investment income	1	-	1	-
Other income	24	31	475	656
Total Income	62	77	1,471	2,026
Net insurance and reinsurance benefits and claims	861	1,041	(538)	(746)
Expenses for the acquisition of insurance and investment contracts	(13)	(15)	(199)	(273)
Gains on foreign currency and revaluations	1,490	(2)	62	-
Total expenses	2,338	1,024	(675)	(1,019)
Profit before tax	**2,400**	**1,101**	**796**	**1,007**
Income taxes	-	-	-	-
Profit for the year	**2,400**	**1,101**	**796**	**1,007**

The split between Protection and discontinued Medical business is as follows:

	2022	**2021**
	£	**£**
Medical Income	25	476
Protection Income	37	995
Total Income	62	1,471
	2022	**2021**
Medical net insurance benefits and claims	172	28
Protection net insurance benefits and claims	689	(774)
Total Net insurance benefits and claims	861	(746)
	2022	**2021**
Medical Expenses	-	-
Protection Expenses	13	199
Expenses (excluding revaluation movement)	13	199

$ - United States Dollars

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

All amounts in £000 unless otherwise stated

33 Related-party balances and transactions

The following transactions were carried out with related parties.

a) Key management personnel compensation

	2022	2021
Salaries & other short term employee benefits	1,978	1,106
Post-employment benefit	110	114

b) Balances and transactions with parent company

	2022	2021
Receivable from Utmost International Group Holdings Limited (UIG)	44	44
Prepaid expenses to UIG	(170)	27
Accrued expenses UIG	(144)	(129)
Dividend paid to UIG	60,000	25,000
Expenses from UIG	694	786

c) Balances and transactions with subsidiaries

	2022	2021
Receivable UPM	103	259
Receivable UIME	243	119
Payable to UPM	(19)	(21)
Accrued expenses UPM	(123)	(138)
Payable to UIME	(76)	(39)
Management and service fees UPM	692	462
Administrative expenses UIME	486	579

Management and service fees above are presented as part of the Purchases of other goods and services within Administrative expenses in note 27 and as part of Other fee income - including commission and rebate income within Fee and commission income related to investment contracts within note 22.

All amounts in £000 unless otherwise stated

***d)* Balances and transactions with other related parties**

	2022	**2021**
Receivable from Utmost Services Ireland Limited (USIL)	191	41
Receivable from UtmostPanEurope DAC (UPE)	-	78
Receivable from Utmost Holdings Isle of Man Limited (IOM)	534	394
Prepaid expenses to IOM	4	4
Receivable from Utmost Life and Pension Limited (ULP)	1	18
Receivable from Utmost Switzerland GmBH	54	16
Accrued expenses USIL	(142)	(124)
Accrued expenses UPE	-	(14)
Accrued expenses IOM	-	(7)
Administrative expenses UPE	-	(340)
Administrative expenses USIL	3741	3,664
Administrative expenses IOM	166	108

Related party receivables are presented as part of receivables due from other related parties within receivables including insurance receivables in note 10. Prepaid expenses are presented as part of other prepayments within accrued income and prepayments in note 12. Accrued expenses are presented as part of expense accruals within accruals and deferred income in note 18. Payables are presented as part of payables to other related parties within payables including insurance payables in note 17. Administrative expenses are shown as part of the purchases of other goods and services within administrative expenses in note 27.

***e)* Balances in relation to reinsurance**

	2022	**2021**
Amounts payable to related parties	(10,789)	(2,341)

This balance is comprised of £8.8 million of investment contracts reinsured payable to UPE and the remainder consists of investments in internal funds whereby UPE's policyholders invests in funds of the Company. Please refer to note 16.

f) Retirement benefit obligations

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

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

34 Events after the balance sheet date

No other subsequent events have been identified which have a significant effect on the balance sheet date.

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