ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2022

Quilter Investors Limited

Registered in England & Wales No. 04227837

CONTENTS

COMPANY INFORMATION

Executive Directors	S D Levin L H Williams
Non-executive Directors	S K Fromson T J Breedon
Secretary	Quilter CoSec Services Limited
Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8BP Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5RB Citibank Europe Plc 33 Canada Square Canary Wharf London E14 5LB
Independent Auditors	PricewaterhouseCoopers LLP Statutory Auditors and Chartered Accountants Savannah House 3 Ocean Way Southampton Hampshire SO14 3TJ
Registered office	Senator House 85 Queen Victoria Street London EC4V 4AB Telephone: +44(0)20 7167 3500 Website: www.quilterinvestors.com Registered in England and Wales No. 04227837

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2022.

Review of the business and principal activities

The principal activity of Quilter Investors Limited ("**Quilter Investors**" or the "**Company**"), is to provide multi-asset investment solutions, offering a broad range of solutions for its customers' accumulation and decumulation needs.

The Company is part of the Quilter plc group ("**Quilter**" or the "**Group**"). Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the Group with strategic and governance oversight. The Company forms part of the Affluent segment. The Affluent segment is comprised of Quilter Investment Platform, Quilter Investors and Quilter Financial Planning.

The Company is an authorised investment fund manager ("**AIFM**") and authorised corporate director ("**ACD**") for a range of UCITS and non-UCITS managed funds. The Company is committed to the objectives of the wider Group business and pursues these objectives through delivery of strong investment returns and innovative investment solutions within the UK. The Company's multi-asset investment portfolios are diversified across international markets and a wide range of asset classes and aim to provide full-service solutions for capital growth and income for retail customers, made available through Quilter distribution channels and direct retail investment platforms.

Quilter's strategy

Quilter's strategy is focused on growing with its clients and advisers, enhancing the efficiency of its operations, increasing digitalisation across the business and being a responsible wealth manager. This will enable Quilter to increase flows from both its own advisers and independent financial advisers, manage more of those flows in the Group's investment solutions and increase the efficiency of doing so, delivering top line growth and operating leverage. Those priorities are underpinned by embodying a diverse and inclusive culture, where colleagues embrace Quilter's cultural values of being pioneering, dependable and stronger together which aids achieving Quilter's goals and benefits all stakeholders.

STRATEGIC REPORT (continued)

Quilter Investors strategy

Quilter Investors specialises in the creation and management of multi-asset investment portfolios with £21.0 billion of assets under management as at 31 December 2022 (2021: £25.0 billion). It is established as the manufacturer at the heart of the Quilter business, and its agreed purpose includes acting as the AIFM and ACD of unitized and sub-advised multi-asset funds, and the investment advisor on the multi-asset, in house funds.

Quilter Investors forms part of Quilter's integrated proposition through the coming together of our advice, platform and investment businesses under the Affluent segment.

2022's continued market volatility has provided a challenging investment performance backdrop. With the exception of Cirilium Active, the Company's core solutions have delivered strong first or second quartile returns against performance comparator benchmarks over the past twelve months. Whilst longer term performance has delivered outcomes in line with customer and adviser expectations, the Cirilium Active's quality growth and small and mid-cap bias has remained stylistically out of favour contributing to short term underperformance. As a result, the management team who have delivered a strong track record with our Cirilium Blend range have taken over the management of Cirilium Active with a view to revitalizing performance. Delivering investment performance for customers remains a core priority for the Company.

Whilst quarter 4 brought some relief to investment markets, with better returns from equities, Assets under Management and correlated net management fee generation have been impacted by the continued market volatility and geo-political environment resulting in revenue headwinds throughout 2022 compared to the 2021 post COVID-19 rally. Despite the challenging market backdrop, the Company continues to return positive operational leverage due to focused expense management.

Net inflows to Quilter Investors were down on the prior year at (£1.9) billion (2021: £0.7 billion), largely driven by net outflows from Cirilium Active and the planned rebalance of the WealthSelect Managed Portfolio Service 'MPS' asset allocation from Quilter Investors sub-advised Global Partner funds into third party funds. The rebalance of the WealthSelect Managed portfolios was undertaken as part of Quilter's continued enhancement of the successful MPS, alongside the launch of new Responsible and Sustainable portfolios in March 2022, and the introduction of an MPS fee on the platform with a corresponding decrease in the Quilter Investors Fixed Ongoing Charge on the Global Partner's sub-advised funds in June 2022.

The Company continues to experience positive flows from integrated channels Quilter Financial Planning and the Quilter Investment Platform into WealthSelect and into the underlying Quilter Investors' Global Partner funds. Positive inflows were somewhat offset by net outflows associated with non-core, legacy solutions on third party platforms.

As anticipated, normalised revenue margin has decreased over the period in line with expectations due to the change in product mix as customers continue to switch from Cirilium Active to lower margin Cirilium Blend and Cirilium Passive solutions. The Company recognises margin compression risk going forward due to competitive fee pressure and the industry trending towards lower margins and passive solutions.

Quilter Investors has continued to focus on development of Environmental, Social and Governance ("**ESG**") solutions in 2022, with the Company playing a key role in furthering the Group's ambition to be a responsible business. Work will continue into 2022 to deliver the Company's ESG programme, which includes stewardship and engagement activities, the embedding of ESG considerations across the investment process and the development of ESG solutions to meet customer's needs. Quilter Investors will continue to develop its core product offering and rationalize legacy solutions in 2023 to ensure it continues to provide clients with the best possible wealth management solutions through the Group's distribution channels.

STRATEGIC REPORT (continued)

Quilter Investors strategy (continued)

Other near-term opportunities include:

- attracting a greater share of business from the Quilter Investment Platform and Quilter restricted financial planners,
- continuing to broaden the suite of solutions provided by Quilter Investors available on the Quilter Investment Platform,
- further development of responsible investment processes and evolution of ESG multi-asset solutions,
- growing the Company's reach through accessing a broader market of clients on third party platforms.

Key Performance Indicators ("KPIs")

The table below shows the key performance indicators the Company uses to manage business performance. The Company assesses its financial performance using a variety of alternative performance measures ("**APMs**"). APMs are not defined by the relevant financial reporting framework, but the Directors use them to provide greater insight into the financial performance, financial position and cash flows of the Company and the way it is managed. APMs should be read together with the audited income statements and statement of financial position, which are presented in the financial statements on pages 20 - 23. Further details of APMs used by the Company are provided below.

APM	Definition
Assets under management ("**AuM**")	Represents the total market value of all financial assets managed on behalf of customers and excludes shareholder assets.
Net client cash flow ("**NCCF**")	The difference between money received from and returned to customers during the relevant period. This measure is considered to be a lead indicator of reported net revenue.

Total assets under management decreased during the year to £21.0 billion (2021: £25.0 billion.) due to net client cash outflows and market volatility. Aggregate net client cash outflows for multi-asset funds were £1.9 billion (2021: net client cash inflows of £0.7 billion). Profit before tax for the year decreased to £70.1 million in 2022 (2021: £82.8 million) predominantly due to the reduction in the fee income as assets under management levels were lower in 2022 and revenue margin reduction associated with a change in product mix, offset by a reduction in expenses.

Key performance indicators table	2022 £'000	2021 £'000
Management fee income	166,128	188,989
Administration expenses	(56,410)	(59,311)
Profit before tax for the year	70,124	82,777
Net assets	71,778	75,768
Cash and cash equivalents	90,057	103,691
Net client cash flow	(1,859,468)	666,218
Assets under management	20,975,637	25,008,083

Statement of going concern

The use of the going concern basis of accounting is considered appropriate, taking into account the Company's current financial position, future expected profitability, the principal risks facing the business and the effectiveness of the mitigating strategies which are or will be applied. The Company is well placed to manage its business risks in the context of the current economic outlook and has sufficient financial resources to continue in business for a period of at least 12 months from the date of approving these financial statements. Further details of the assessment of going concern are included in note 2.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

Overall risk profile

The Company is exposed to a number of risks as a result of its business model, including certain strategic, business, operational, financial and regulatory risks.

There have been no material changes to the Company's risk profile in 2022 and the Company remains profitable with sufficient capital and liquidity.

The Company's principal revenue streams are asset-value related and as such the Company is exposed to the condition of global economic markets which have been particularly challenged in the last 12 months by geo-political events. Volatility in debt, equity and currency markets combined with rising inflation and cost of goods and services may adversely impact customer investment portfolios or ability to invest, which in turn impacts the Company's ability to generate fee-based revenue. Challenging economic conditions also impact investor and adviser confidence and have the potential to challenge the Company's ability to attract NCCF from investors. Market sentiment may also be affected by instability in domestic politics and fiscal policy.

The Company has continued to improve its operational maturity in the last 12 months and has developed its strategic vision to modernise the internally managed multi-asset funds. The Company remains focused on providing high quality investment products and safe delivery of strategic growth initiatives.

As Quilter builds on its strategic direction to provide responsible wealth solutions through ESG badged products there is a heightened proposition and reputation risk in the implementation of this strategy. A regulatory policy statement implementing anti-greenwashing rules and outlining the requirements for funds labelled as sustainable is expected by 30 June 2023. Quilter will be required to review its strategy for launching sustainable multi-asset funds in line with new regulations and ensure that processes are in place to adhere to anti-greenwashing rules.

The Company expects regulatory change over the next 12 months to continue to be elevated and focus on the significant step-change firms are required to make in meeting the new Consumer Duty requirements and the additional Principle 12.

The Company manages these risks through the Quilter Enterprise Risk Management framework, which includes a consistent set of risk definitions, policy suite and a risk strategy. A set of strategic risk appetite principles ("**SRAPs**") have been set. These SRAPs provide the guidance on the Company's attitude towards key areas of risk and support ongoing management and oversight. These SRAPs are supported by a series of more granular risk appetite statements, measures, policies and standards at a Company level. The position against these SRAPs is measured on a regular basis through the monitoring of underlying risk metrics and outputs from the risk management framework. The risk appetite and associated measures are periodically reassessed to ensure they remain relevant in implementing the business strategy. Stress and scenario testing is performed at least annually to test the resilience of the business.

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

The Board requires management to put in place actions to mitigate these risks, and controls to maintain risk exposures within acceptable levels defined by the risk appetite.

Current impact and risk outlook	Risk mitigation and management actions
Business and Strategic Risk	
Strategic Development Risk The Company's strategy is to deliver expertly designed multi-asset solutions (via managed portfolio and multi-asset funds) that produce outcomes in line with customer expectations and the advice process. Should this strategy be significantly delayed or not yield the anticipated customer outcomes it may have a material adverse effect on the wider Group's business, its financial condition and its reputation.	• Strategic and business planning process • Support of and alignment with all distribution channels • Broad range of multi-asset investment solutions offering a coherent choice of outcomes at different risk and diversification levels • Robust product governance processes in order to develop solutions that meet customers' needs • Delivery of investment performance which is subject to rigorous monitoring and oversight
Investment Performance Risk Strong investment performance is key to meeting customer expectations and to grow the Company's customer base and funds under management. Longer term underperformance of core investment management propositions could have a material effect on the Company's business, financial performance and reputation.	• Investment strategy (using both strategic and tactical asset allocations) • Investment performance management • Investment risk monitoring and oversight • Investment risk policy and standards compliance arrangements
Competitor and Margin Risk The Company is exposed to external margin pressure whereby competitive market changes may reduce the attractiveness of the proposition. If the proposition is not compelling, sustainable and profitable, then there is a risk the Company may not be able to meet its business plan targets and objectives.	• The customer proposition has been designed to be competitive and meet customer needs • Stress and scenario analysis
Business Concentration Risk Concentration of AUM in higher margin products from a dominant distribution channel presents a risk of disproportionate impact on operating profit should flows into higher margin products be adverse to plan.	• Strategic initiatives to diversify product range and distribution flows

STRATEGIC REPORT (continued)

<table>
<tr><th>Current impact and risk outlook</th><th>Risk mitigation and management actions</th></tr>
<tr><td colspan="2">Product and Distribution Risk</td></tr>
<tr><td>Customer Proposition
Risks to customers are inherent within the Company's business model and can occur at any point in the customer journey or product lifecycle. Failure to ensure good customer outcomes, either as a result of poor conduct, poor administration or products not performing as expected, has implications for our reputation and could result in loss of new and existing business, increased complaints and rectification costs, and regulatory censure.</td><td>• Robust product governance processes in order to develop solutions that meet customers' needs
• The Product and Customer Outcomes Forum reviews any areas where customer outcomes may be affected significantly and ensures appropriate action is taken if required</td></tr>
<tr><td colspan="2">People Risk</td></tr>
<tr><td>Ability to attract and retain staff
The Company relies on its talent to deliver its service to customers and to implement the broad range of strategic change initiatives that are currently being delivered. Failure to retain key staff or to attract suitable talent may impact the delivery of the strategy and may have an adverse impact on the Company's business, its financial and operational performance and the delivery of service to its customers.</td><td>• Robust recruitment practices
• Performance evaluation arrangements and related performance and risk adjusted remuneration arrangements
• Regular employee engagement surveys
• Annual succession planning exercise
• Learning and Development support
• Leadership Development programmes</td></tr>
<tr><td colspan="2">Regulatory Risk</td></tr>
<tr><td>Regulatory Compliance
The Company is subject to regulation in the UK by the Financial Conduct Authority. Additionally, the firm is subject to the privacy regulations enforced by the Information Commissioner's Office. The Company faces risks relating to compliance with these regulations and to changes in regulations or regulatory focus or interpretation in the markets in which the Company distributes products or trades securities. Failure to manage regulatory compliance effectively could result in regulatory censure, including the possibility of fines or prohibitions which could impact business performance and reputation.</td><td>• Compliance advice and monitoring programme
• Regulatory horizon scanning
• Training and staff awareness programmes
• Compliance policy and standards</td></tr>
</table>

STRATEGIC REPORT (continued)

Current impact and risk outlook	Risk mitigation and management actions
Financial Crime The Company is subject to legislation designed to prevent financial crime in each of the jurisdictions in which it operates. This includes measures relating to prevention of money laundering, terrorist financing, sanctions, bribery and corruption and insider dealing. Relevant regulatory and law enforcement agencies have the ability to impose significant censures for failures including fines or prohibitions which could impact reputation and business performance.	• A specialist Financial Crime team within Group Compliance which provide support, monitoring and guidance to the Company • Mandatory staff training • A range of specific controls including due diligence and sanctions screening • Financial crime policy and standards compliance arrangements
Operational Risk	
Execution, Delivery and Process Management The Company is exposed to operational risks in all areas of its business model. Failure to adequately identify, manage, measure and mitigate operational risks can lead to customer harm and unintended financial loss, potentially impacting the Company's capital position.	• The Company maintains a strong compliance and risk management culture which operates within the three lines of defence model • Defined Senior Management Function accountabilities and delegated authority structures in place to ensure appropriate ownership of processes and risks
Operational Resilience, Technology and Third Party Risks	
Operational Resilience The Company's ability to withstand disruption without causing intolerable harm to customers is dependent on robust operational resilience arrangements. A failure to ensure that important business services are resilient and remain inside impact tolerance thresholds could have a material impact on the Company's reputation and result in loss of business.	• Identification of Important Business Services ("**IBS**") • Impact tolerances for IBS set and agreed by the Board • Annual resilience cycle undertaken
Information Technology risk The Company's business is highly dependent on its technology infrastructure and applications to perform necessary business functions, including the provision of services to customers. Failure to manage technology risk or technology not being aligned to the business strategy could have a material adverse impact on the Company's business, its resilience capabilities, financial condition, ability to manage funds and its reputation.	• Alignment of group-wide technology strategy with the business strategy • Active systems monitoring and business and IT resilience plans • On-going oversight and monitoring of key technology providers • Change Advisory Board and IT Governance Forum • IT policy suite and standards compliance arrangements

STRATEGIC REPORT (continued)

Current impact and risk outlook	Risk mitigation and management actions
Information Security The Company's business, by its nature, requires it to store, retrieve, evaluate and use customer data (albeit a limited amount), market and trading data, fund analysis, company data and other information, some of which is highly sensitive. The Company is subject to the risk of IT security breaches from parties with criminal or malicious intent. Should Quilter's intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on the Company's customers, business, financial condition, operations, and reputation.	• Cyber threat defences and monitoring • Data governance arrangements, including those relating to General Data Protection Regulation compliance • Information security policy and standards compliance arrangements • Information Security Governance Forum
Third party outsourced arrangements The Company outsources some of its critical functions to specialist third parties. If the Company does not effectively oversee its third-party providers, they do not perform as anticipated, or the Company experiences technological or other problems with a third party, it may experience operational difficulties, increased costs and loss of business, customer detriment and damage to its reputation.	• On-going oversight of third-party service providers, including due diligence processes, Service Level Agreements and contracts, service review meetings, monitoring of management information and Key Risk Indicators, annual reviews and joint Risk and Compliance Committees (with key providers) • Third party risk management policy and standards compliance arrangements are in place

Emerging risk radar

Short term (12 – 24 months)

ESG regulation and disclosure requirements

Within the next 12 months the Company's regulator will publish requirements for the use of sustainable labels and requirements for disclosure. As the Company's strategy is to develop a broader investment choice including ESG preferences the Company will be required to keep abreast of the evolution of these requirements and ensure they are properly interpreted and applied to the Company's existing and any new products and services.

Global economic uncertainty

The impact of the war in Ukraine, the highest inflation rate in the UK for 41 years and a contraction in growth in the global economy are likely to continue to impact the environment in which the Company operates. Whilst monetary policy has been adapted by central banks to ease domestic economies, geo-political tensions remain an unpredictable influence on the global economy. The Company's NCCF, AUM and profitability could be materially affected by an extended or volatile economic slow-down.

Cyber threat

Although cyber-attack remains a current and prevalent risk, the pace of change in this area is rapid and is anticipated to evolve particularly in response to geo-political events.

STRATEGIC REPORT (continued)

Emerging risk radar (continued)

Medium term (2 years – 10 years)

Political and regulatory change

Changes in regulation resulting from the shifting expectations of our regulators and potential changes in how UK Financial Services are regulated as initiated in the Edinburgh reforms could have a material impact on the Company. Within this term there will be a UK general election, which if resulted in a change to the governing political party could result in a change to fiscal policies. For example, changes to pension tax relief for high earners and other tax changes affecting customer wealth could impact NCCF and AUM.

Climate change/ESG

Increased frequency of climate-related risk events or a disorderly transition to a low carbon economy could give rise to additional costs, adversely impact asset values and impact investment performance. The acceleration of government, regulatory and corporate activity in support of meeting climate change targets requires the Group to develop and enhance its approach to identification and management of the financial risks of climate change, including enhancements to disclosures, investment strategies and operations. There is increasing focus on sustainability and sustainable investing; bringing opportunity but also increased pressure from investors and customers to bring demonstrable change.

Disruptive competition

There has been a continued trend of merger and acquisition activity in the wealth management sector trending towards consolidation. There is also increasing use of fintech within the industry to harness efficiencies and deliver a smarter customer experience. This could mean competitors are growing in scale and buying skills and technology, accelerating their digital capabilities. This has the potential to erode the Group's market share.

Longer term (10yrs+)

Generational wealth shifts

The UK's ageing population, combined with the rapid growth in the total value of UK household wealth over the last 20 years, is causing shifts in generational wealth accumulation. A significant proportion of this wealth is held by the over-45s and over the next 30 years, this is set to be transferred between generations as inheritance or gifts. Another intergenerational trend is the transfer of risk from institutions (employers, the state and financial service providers) to individuals, for example as seen in the pension industry. These trends present opportunities for the Group of increased demand for wealth management and advice services, but the Group will also need to strategically adapt to changing future customer needs.

Transition to net zero

A disorderly transition or failure to transition to net zero by 2050 has well documented and significant impacts on the global economy. A lack of decisive action will result in more stringent and aggressive actions being taken to reduce carbon output which have the potential to destabilise the global economy and have far-reaching geo-political and social impacts. Quilter will need to prepare for and anticipate issues arising from decarbonisation to both the Company and our customers.

Further details of the risk management objectives and policies of the Company are disclosed in Note 3.

STRATEGIC REPORT (continued)

Section 172 (1) Statement
The Company is a wholly owned subsidiary of Quilter plc and therefore operates in line with the strategy, policies and practices that are set by the Quilter plc Board and are described in the Quilter plc Annual Report. The following statement should be read in conjunction with the Quilter plc Annual Report 2022.

To ensure that Quilter achieves its purpose of helping create prosperity for the generations of today and tomorrow, it is critical for the Board to balance the needs, interests and expectations of our key stakeholders. The Board, with support from Corporate Secretariat, ensure that management are guided by the considerations referred to in section 172 (1) as part of good decision-making, to ensure that proposals coming to the Board contain appropriate information on the potential impact of business decisions on all stakeholders of the Company and other relevant matters. Insights into how Quilter plc has ensured that section 172 (1) considerations remain at the heart of the Group's decision-making at all levels and the outputs of these decisions have been set out in the Quilter plc Annual Report.

In overseeing the Company's business during the year, the Board of the Company has paid due regard to its duty to promote the long-term success of the Company for the benefit of Quilter plc, its ultimate parent company, by supporting the delivery of the Group's strategic priorities.

The Board, and where appropriate its Investment Oversight Committee ("**IOC**" or "**the Committee**"), considers and discusses information from across the organisation to help it understand the impact of the Company's operations, and the interests and views of its key stakeholders. The Board also reviews strategy, financial and operational performance as well as information covering areas such as key risks, legal and regulatory compliance. This information is provided to the Directors through reports sent in advance of each Board and IOC meeting, and through in-person presentations. Set out below are examples of how the Directors have considered the Company's key stakeholders in 2022, including colleagues, customers, regulators and communities.

The Board dedicated time throughout the year to consider colleague engagement and wellbeing. Directors received regular updates from the Head of Human Resources, closely monitored the employee survey scores and turnover rates, and sought views and feedback from management to contextualise this data. The Board recognises the importance of attracting and retaining talented people in a highly competitive labour market, particularly in the context of the cost of living crisis. The Directors emphasised the need for management to uphold strong engagement with colleagues and take meaningful action in order to mitigate people risk.

The Board is committed to ensuring good outcomes for customers of Quilter Investors solutions. The Board has regularly reviewed analysis on how the Company has performed against the Group's core customer metrics and on areas that are critical in protecting customers' interests, including the robustness of the controls over client assets and action taken to address any issues impacting customers. Consideration of the views and expectations of our regulators and customers were core to the Board's decision making during 2022, specifically in relation to the oversight of the implementation plans for the Consumer Duty, including the Board's review of the implementation plan, prior to sharing with the FCA. The implementation of this new duty aligns with a core part of the Company's strategic rationale to deliver good outcomes for customers. The Board will continue to oversee management's endeavours to implement the plan during 2023. The Board also sought assurance on the operational resilience of the business and the controls in place to mitigate information and cyber security risks.

In 2022, the IOC provided independent oversight of portfolio management activities for all Quilter Investors funds, portfolios and strategies. It comprises the independent Non-executive Directors of the Company and reports to the Board on its activities. The Committee dedicates significant time scrutinising investment performance and risk to gain assurance that the Company's solutions are being managed in line with expectations and delivering strong returns for customers. Integral to this is the robustness of the investment process, the evolution and enhancement of which has been overseen and challenged by the IOC to ensure it is designed and operating in a manner that meets the needs of our customers. The Committee also dedicated time throughout the year considering the Company's client risk capability. This work is facilitated through regular reporting from the Chief Investment Officer and Head of Investment Risk, as well as specific deep dive reviews of the core investment solutions provided by the Portfolio Managers.

Section 172 (1) Statement (continued)

The IOC spent time overseeing the implementation of product development initiatives and the rationalisation of legacy fund offerings. The Committee reviewed the proposals to align the Cirilium ranges in order to address performance levels of the portfolios, whilst ensuring that the change resulted in good outcomes for customers. The Company plays a key role in furthering the Group's ambition to be a responsible business and the IOC has continued to monitor the delivery of the Company's Environmental Social and Governance ("ESG") programme which includes stewardship and engagement activities and the embedding of ESG considerations across the investment process.

The Company recognises that proper management of conflicts of interest is crucial in safeguarding customer outcomes. To protect the interests of Quilter's customers, the Board reviews the Company's conflicts of interest register at least annually to ensure that management are active in their assessment and mitigation of conflicts. Another important area of focus for the Directors during the year was the annual Assessment of Value. Ahead of approving the Assessment of Value reports, which established that the Company's investment solutions had continued to provide value to customers, the IOC dedicated time to overseeing and challenging the assessment methodology within which the assessment was conducted, in order to ensure the integrity of the assessment and transparency of reporting to investors.

The Board considers the maintenance of an open and transparent relationship with our regulators a key priority. The Board receives regular reporting on engagement with regulators, and the Chief Risk Officer, as a standing attendee of each meeting, provides further updates where necessary. The Board also monitors compliance with key regulatory requirements, for example those regarding consumers, capital and client assets, and has spent time reviewing the impact of forthcoming regulatory changes to ensure the Company is, and will continue to, meet expectations.

The importance of our suppliers is acknowledged by the Board and supplier relationships are managed and maintained in line with Group policy. Please refer to the Quilter 2022 Annual Report for further information on how we foster relationships with our suppliers. Given the Company's material outsourcing arrangements, the Board regularly assesses information provided by management on the quality of the services provided by our critical suppliers.

Streamlined Energy and Carbon Reporting

The Group is committed to managing its environmental impact and supports the Carbon Disclosure Project ("**CDC**"), a globally recognised initiative for companies to measure, manage, disclose and reduce their environmental impacts. A full explanation of how the Directors have had regard to the impact on the environment is contained within the Quilter plc Annual Report 2022 as per the requirements of Streamlined Energy and Carbon Reporting. The Company is exempt from reporting company specific information as it is a subsidiary of the Group. The Company is exempt from reporting until 30 June 2024, at which point it will publish its 'Task Force on Climate Related Financial Disclosure' ("**TCFD**") report and 'TCFD Product' report, covering the Wealth Select portfolios, by 30 June 2024 with respect to the 2023 reporting period.

Events after the Statement of Financial Position date

As stated in note 25 to the financial statements there are no material events to disclose.

On behalf of the board

L H Williams
Director
03 March 2023

DIRECTORS' REPORT

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

The review of the business and its future development is set out in the strategic report along with a review of the principal risks and uncertainties.

Events after the Statement of Financial Position date are disclosed in the strategic report.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Executive Directors:
D A Bowden (resigned 30 June 2022)
S D Levin
L H Williams

Non-executive Directors:
R S Skelt (resigned 28 February 2023)
S K Fromson
T J Breedon

The Directors do not hold material shareholdings in Quilter plc.

Directors' third party indemnity provisions

Qualifying third-party provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the year ended 31 December 2022 for the benefit of the then Directors and at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Directors' emoluments

Details of Directors' emoluments are provided in note 9.

Dividends

The Company declared and paid an interim dividend of £62m for the year ended 31 December 2022 (2021: £70m). The Directors do not propose a final dividend.

Employees

The average number of persons (including Directors) employed by the Company during the year was 97 (2021: 106).

Political Donations

No political donations were made during the year (2021:nil).

Financial Instruments

The financial risk management objectives and policies of the Company are disclosed in note 3.

DIRECTORS' REPORT (continued)

Business relationships statement
The Company forms part of the Quilter plc Group, with Quilter plc providing strategic and governance oversight to each of its subsidiaries. During the course of their decision-making, the Board of the Company and the Board of Quilter plc, have considered their duties to stakeholders, including the need to foster the Company's business relationships.

An explanation of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, has been set out in the Section 172 (1) Statement in the Strategic Report and in the Quilter plc Annual Report for 2022, which does not form part of this report.

Climate Change
In 2021, the Group climate change strategy was formalised with the objectives of reducing the Group's contribution to climate change and supporting the transition to a low carbon economy. To achieve this ambition, the Group has developed a framework which is helping reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity and offer clients climate focused investment solutions. The framework aligned with the Taskforce on Climate-related Financial Disclosures ("TCFD") disclosure requirements.

Investing Responsibly
The Group has made a commitment to embed responsible investment principles across the business and is a signatory of the UN backed Principles for Responsible Investment ("PRI"). We are embedding ESG into our standard advice process to help clients invest according to their ESG preferences, and we are embedding ESG even more deeply into our standard investment management processes.

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

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

Independent Auditors
PricewaterhouseCoopers LLP has been appointed by the Company to hold office in accordance with section 485 of the Companies Act 2006.

On behalf of the board

L H Williams
Director
03 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Independent auditors' report to the members of Quilter Investors Limited

Report on the audit of the financial statements

Opinion

In our opinion, Quilter Investors Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2022; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF QUILTER INVESTORS LIMITED (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulating growth in pre tax profits through posting inappropriate journal entries to either overstate revenue or understate expenditure. Audit procedures performed by the engagement team included:

- Discussions with the Board of Directors and with management (including those involved within the Finance function, Internal Audit, Legal, Risk and Compliance), including consideration of their process for identifying and responding to the risk of fraud, and any known or suspected instances of fraud or non-compliance with laws and regulations both within the company and any associated service organisations;
- Reviewing key correspondence with the Financial Conduct Authority and HMRC in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes, including those of the Board of Directors, for matters of relevance to the audit;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations , such as credits to revenue and a debit to the statement of financial position (other than to expected accounts), which may be indicative of the overstatement or manipulation of revenue;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Assessment of matters reported on the Quilter plc's whistleblowing register that relate to the company, including the quality and results of management's investigation of such matters; and
- Reviewing the disclosures in the Annual Report and financial statements against the specific legal requirements, for example within the Directors' Report.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF QUILTER INVESTORS LIMITED (continued)

We have no exceptions to report arising from this responsibility.

HGrainger

Helen Grainger (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
3 March 2023

INCOME STATEMENT
for the year ended 31 December 2022

	Note	2022 £000's	2021 £000's
INCOME			
Fee income	4	166,128	188,989
Change in contract liabilities	5	76	21
Investment return	6	1,058	54
Other income	7	704	686
TOTAL INCOME		167,966	189,750
EXPENSES			
Commission and rebates paid to introducers	11	(41,432)	(47,662)
Administrative expenses	8	(56,410)	(59,311)
TOTAL EXPENSES		(97,842)	(106,973)
PROFIT BEFORE TAX		70,124	82,777
Tax on Profit	12	(13,411)	(15,621)
PROFIT FOR THE FINANCIAL YEAR		56,713	67,156

All the above amounts in the current and prior year derive from continuing activities.

The notes on pages 24 to 46 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	2022 £000's	2021 £000's
PROFIT AFTER TAX FOR THE FINANCIAL YEAR	56,713	67,156
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		
All attributable to equity holders	56,713	67,156

The notes on pages 24 to 46 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share capital £000's	Capital contribution £000's	Share-based payments reserve £000's	Retained earnings £000's	Total equity-holder's funds £000's
Balance at 1 January 2021	12,600	1,500	1,770	61,128	76,998
Profit and total comprehensive income	-	-	-	67,156	67,156
Share-based payments	-	-	610	1,004	1,614
Dividends paid	-	-	-	(70,000)	(70,000)
Balance at 31 December 2021 and 1 January 2022	12,600	1,500	2,380	59,288	75,768
Profit and total comprehensive income	-	-	-	56,713	56,713
Deferred tax charge to equity	-	-	(77)	-	(77)
Current tax charge to equity	-	-	-	3	3
Share-based payments	-	-	(100)	1,471	1,371
Dividends paid	-	-	-	(62,000)	(62,000)
Balance at 31 December 2022	12,600	1,500	2,203	55,475	71,778

The notes on pages 24 to 46 are an integral part of these financial statements.

Dividend per share was £4.92 in 2022 (2021: £5.56).

STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	Note	2022 £000's	2021 £000's
ASSETS			
Deferred tax assets	14	825	926
Investments in collective investment schemes	15	2	1
Trade and other receivables	16	80,941	85,270
Cash and cash equivalents	17	90,057	103,691
Total assets		171,825	189,888
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	12,600	12,600
Share-based payments reserve		2,203	2,380
Capital contribution		1,500	1,500
Retained earnings		55,475	59,288
Total equity attributable to equity holders		71,778	75,768
LIABILITIES			
Contract liabilities	5	24	100
Current tax liabilities		29,247	30,147
Trade and other payables	19	70,776	83,873
Total liabilities		100,047	114,120
Total equity and liabilities		171,825	189,888

The notes on pages 24 to 46 are an integral part of these financial statements.

The financial statements on pages 20 to 46 were approved at a meeting of the Board of Directors on 02 March 2023 and signed on its behalf by:

L H Williams
Director

Company registered number: 04227837

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 GENERAL INFORMATION

Quilter Investors Limited ("**the Company**") is a private company limited by shares, incorporated in England and Wales and domiciled in the United Kingdom (**"UK"**). The address of its registered office is disclosed in the Company information section on page 1. The principal activities of the Company are disclosed in the strategic report on page 2.

The Company's business activities and financial risk management objectives, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 to 12 and Directors' report on pages 13 to 14.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements of Quilter Investors Limited for the year ended 31 December 2022 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("**FRS 101**"), the Companies Act 2006. These financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, which are recognised at fair value through profit of loss, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates and are rounded to the nearest thousand pounds.

The preparation of financial statements in conformity with FRS 101 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 on page 25.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information); and
  - 111 (statement of cash flows information).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a Company.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments to standards, and interpretations adopted by the Company

There were no new standards or interpretations which became effective from 1 January 2022.

There are no amendments to accounting standards that are effective for the year ended 31 December 2022 that have a material impact on the Company's financial statements.

Going concern

The Directors have considered the resilience of the Company, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2022 financial statements.

A wider assessment was carried out at a Group level and incorporated a number of stress tests covering a broad range of scenarios, including economic and market shocks of up to 40% falls in equity markets, mass lapse events, new business growth scenarios and severe business interruption, equivalent to 1-in-50 and 1-in-200 year events. The Group also took into consideration the risks related to climate change.

As a result, the Directors believe that the Company is well placed to manage its business risks in the context of the current economic outlook and has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these financial statements and continue to adopt the going concern basis in preparing the financial statements.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 *Presentation of Financial Statements*. For each asset and liability line item, those amounts expected to be recovered or settled after more than twelve months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

Critical accounting judgements

Critical accounting judgements are those that management makes when applying its significant accounting policies and that have the most effect on the net profit and net assets recognised in the Company's financial statements. There are no critical accounting judgements for the Company for the current year or prior year.

Critical accounting estimates

The Company's critical accounting estimates are those that involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the net carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant accounting standards and guidance to make predictions about future actions and events. For the current year and prior year, there were no critical estimates applied.

Significant changes in the year

There are no significant changes in the current reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (other than derivatives)

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and certain financial liabilities, including trade payables. Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company. A financial liability is derecognised when the liability is extinguished.

Measurement

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. Two categories are applicable to the Company's financial assets: fair value through profit or loss ("**FVTPL**") and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Fair value measurement

The Company uses fair value to measure a number of its assets and liabilities. Fair value is a market-based measure and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a financial instrument, the best evidence of fair value at initial recognition is normally the transaction price, which represents the fair value of the consideration given or received.

Where observable market prices in an active market, such as bid or offer (ask) prices are unavailable, fair value is measured using valuation techniques based on the assumptions that market participants would use when pricing the asset or liability. If an asset or a liability measured at fair value has a bid or an offer price, the price within the bid-offer spread that is most representative of fair value is used as the basis of the fair value measurement.

The quality of the fair value measurement for financial instruments is disclosed by way of the fair value hierarchy, whereby Level 1 represents a quoted market price for identical financial assets and liabilities, Level 2 financial assets and liabilities are valued using inputs other than quoted prices in active markets included in Level 1, either directly or indirectly and Level 3 whereby financial assets and liabilities are valued using valuation techniques where one or more significant inputs are unobservable.

Classifying financial instruments into the three levels outlined above provides an indication about the reliability of inputs used in determining fair value. More information is provided in note 20.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not measured at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding on specified dates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost (continued)

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Financial investments

All other financial assets that are not measured at amortised cost are classified and measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's interests in pooled investment funds are mandatorily at FVTPL, as they are part of the Company's financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the income statement.

The fair value of quoted financial investments is based on the bid value (within the bid-ask spread) which the Company considers to be the most representative of fair value.

The Company recognises purchases and sales of financial investments on trade date, which is the date that the Company commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market collective investment funds and other short term deposits with an original maturity of three months or less. The value of the cash equivalent is subject to an insignificant risk of changes in value.

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified at amortised cost, which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents, other than money market collective investment funds which are measured at fair value, approximates to their fair value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities, including trade payables, are measured at amortised cost using the effective interest method.

Trade and other payables and Trade and other receivables

All Trade and other payables and the majority of Trade and other receivables are short-term, non-interest bearing and are stated at their amortised cost which is not materially different to cost and fair value due to their short-term nature.

Impairment of financial assets

The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents (excluding money market collective investment funds which are measured at fair value).

Credit loss allowances are measured on each reporting date according to a three stage expected credit loss ("**ECL**") impairment model:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Performing financial assets:

Stage 1

From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ("**12-month ECL**").

Stage 2

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ("**Lifetime ECL**").

The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default ("**PD**"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets:

Stage 3

When a financial asset is considered to be credit-impaired, the allowance for credit losses ("**ACL**") continues to represent lifetime expected credit losses. However, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the impairment model

The Company applies the ECL model to two main types of assets that are measured at amortised cost:

- Trade and other receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Inter-company receivables and cash and cash equivalents at amortised cost, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the Company expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Company has implemented its impairment methodology for estimating the ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Inter-company balances are assessed for expected credit loss, but due to the value of cash within the Group, which could be waterfalled around each business, and no historical losses incurred on inter-company balances, no ECL has been recognised on inter-company balances.

No ECL credit losses have been recognised in the current or prior year.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will exceed 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, provisions are discounted and represent the present value of the expected expenditure. Provisions are not recognised for future operating costs or losses.

Accounting for client transactions

Bank and debtor/creditor balances reflect transfers made between Company and client bank accounts on the day following the reporting date. This reflects the daily update of client accounts which is required to be made within one business day under the UK Financial Conduct Authority ("**FCA**") rules, and gives a clearer presentation of Company bank balances and debtors/creditors represented by client balances as a result of transactions made on the last business day.

Income recognition

Income comprises the fair value for services, net of value-added tax. Income is recognised as follows:

Fee income

Fees charged for managing investment contracts are calculated and recognised on a daily basis as revenue in line with the provision of the investment management services.

Fund of fund rebates paid to Quilter Investor funds are recognised in the income statement on an accrual basis within fee income, as they are deemed to be a reduction to income.

Contract liabilities/deferred fee income

Front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided, is deferred through the creation of a contract liability on the statement of financial position and released to income as the services are provided. The contract liability principally comprises fee income already received in cash.

Investment return

Realised investment gains and losses represent the difference between the net sales proceeds and the cost of the investment or value at the start of the year. The movement in unrealised investment gains and losses represents the difference between the carrying value of investments at the reporting date and the value at the start of the year, or the original cost where an investment is acquired during the year. The realised gains and losses and movement in unrealised gains and losses on investment arising in the year are included in the income statement. Interest from investments in financial instruments is included within investment return.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income recognition (continued)

Other income
Other income represents management fees from Quilter Investors Portfolio Management Limited, a fellow subsidiary of Quilter plc, for the provision of management and administrative services provided. Management fees are charged at a mark-up. Management fee income is recognised in the same period the expenditure is incurred.

For 2022, other income includes expenses initially paid by the Company which are reimbursed by an external company, at cost as no service was provided.

Rebates paid
Rebates paid to introducers or group undertakings are based on agreed rates and vary according to the carrying value of the investments held in the funds and are recognised in the income statement on an accrual basis.

Other costs
All expenses are recognised in the income statement as a cost on an accrual basis.

Tax on profit

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. The taxable income for the year is determined in accordance with enacted legislation and taxation authority practice for calculating the amount of tax payable. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax
Deferred taxes are calculated according to the statement of financial position method, based on temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated to sterling at the year-end closing rate. Non-monetary assets denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate in effect at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate in effect at the date when the fair value was determined. Foreign exchange rate differences that arise are reported net in the income statement as foreign exchange gains/losses, within investment return.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee share-based payments

The Company operates a number of share incentive plans for its employees. These involve an award of shares or options in the Company (equity-settled share-based payments). The Company has not granted awards under cash-settled plans in the current or prior year.

The Company's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or conditions that are often wholly within the control of the employee, for example where the employee has to provide funding during the vesting period, which is then used to exercise share options (non-vesting condition).

Performance conditions may be market-based or non-market based. Market performance conditions are those related to an entity's equity, such as achieving a specified share price or target based on a comparison of the entity's share price with an index of share prices. Non-market performance conditions are those related to an entity's profit or revenue targets, an example of which would be Earnings per Share ("**EPS**"). Market-based performance conditions and non-vesting conditions are taken into account when estimating the fair value of the share or option awards at the measurement date. The fair value of the share awards or options is not adjusted to take into account non-market performance features. These are taken into consideration by adjusting the number of equity instruments in the share-based payment measurement and this adjustment is made each period until the equity instruments vest.

The fair value of share-based payment awards granted is recognised as an expense in the income statement over the vesting period which accords with the period for which related services are provided by the employee. A corresponding increase in equity is recognised for equity-settled plans.

For equity-settled plans, the fair value is determined at grant date and not subsequently re-measured.

At each period end the Company reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the income statement with a corresponding adjustment to the share-based payments reserve in equity.

At the time the equity instruments vest, the amount recognised in the share-based payments reserve in respect of those equity instruments is transferred to retained earnings.

Assessment of fund investments as structured entities

IFRS 12 defines a structured entity as 'an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements'.

The Company has assessed whether the funds it manages are structured entities. The Company has considered the voting rights and other similar rights afforded to other parties in these funds (investors and independent boards or Directors), including the rights to remove the Company as fund manager, liquidate the funds, or redeem holdings in the funds (if such rights are equivalent to liquidating the funds) and has concluded as to whether these rights are the dominant factor in deciding who controls the funds.

The Company has determined that its managed funds are structured entities and that it has an interest in these funds.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES

Enterprise risk management ("ERM") framework

The Group continues to develop a well-defined, positive risk culture that is understood across Quilter, as well as a risk and control framework with clear articulation of the responsibilities between the three lines of defence.

The Group regulations applicable to the Company are the Investment Firms Prudential Regime ("**IFPR**") regulations. To meet these regulations, we operate a consistent approach to risk management across Quilter. As such, we have integrated the Internal Capital Adequacy and Risk Assessment Process ("**ICARA**") into the risk management framework. Analysis is undertaken into the capital and liquidity required to protect the sustainability of the Group and the Company, and how those requirements might develop over the planning period.

The assessments include a range of stress and scenario testing covering a broad range of scenarios, including macro scenarios such as market shocks, idiosyncratic scenarios based on stressing the Company's business plan and operational risk scenarios. These tests are in addition to the regulatory solvency capital requirements, which allow for severe and extreme scenarios and stresses (1 in 200 year risk events). Critical to our process is preparing management action plans should adverse events occur. This provides comfort that the Company is well capitalised and prepared to take necessary action in order to maintain our resilience to adverse conditions.

Risk appetite

The Company's risk appetite is the amount of risk we are willing to take on in the pursuit of our strategic priorities and is defined by the Board. Culturally, it sets the tone regarding our attitude towards risk taking. Risk appetite also plays a central role in informing decision making across the Group; protecting and enhancing the return on capital invested.

To support the strategic decision making process, risk preferences are applied which provide guidelines for striking the appropriate balance of risk and reward when setting our business strategy.

Strategic risk appetite principles

A set of Strategic Risk Appetite Principles has been set by the Quilter Board. These principles provide the top-of-the-house guidance on attitude toward key areas of risk for the Group and support the ongoing management and oversight of risk. The Group's position against these principles is measured on a regular basis.

At a Quilter Investors level, risk appetite statements and supporting key risk indicators are in place and approved by the Quilter Investors Board. These are measured and reported against on a regular basis.

Policies supporting the system of internal control

The Group Governance Manual ("**GGM**") and policies form an integral part of our governance and risk management framework, ensuring an appropriate system of internal control. Together they form the basis of clear delegated authorities and accountabilities; ensuring there is appropriate Board oversight and control of important decisions; and efficient and effective management of day to day business. The GGM and policies are approved and adopted by the Quilter plc Board.

Risk management culture

Undoubtedly the most important element to risk management is a good culture of risk-informed decision making. We believe that a good risk culture enables effective management of risk. We link risk management to performance and development, as well as to the Company's remuneration and reward schemes. An open and transparent working environment which encourages our people to embrace risk management is critical to the achievement of our strategic priorities.

Principal risks and uncertainties

The Directors have carried out an assessment of the principal risks and uncertainties facing the Company which are described in the strategic report on pages 5 to 10. The Board requires management to put in place actions to mitigate these risks, and controls to maintain risk exposures within acceptable levels defined by Quilter's risk appetite. Regular monitoring and reporting of risks enable continuous review and challenge of risks and actions.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Operational risk

Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to the brand / reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes the effects of failure of the administration processes, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and dealing), product development and management processes, legal risks, risks relating to the relationship with third party suppliers, and the consequences of financial crime and operational resilience events.

In accordance with Group policies, management have primary responsibility for the identification, management and monitoring of risks, and escalation and reporting on issues to the Company's executive management board and to the Group.

The Company's executive management have responsibility for implementing the Group risk management methodologies and framework and for the development and implementation of action plans to manage risk levels within acceptable tolerances and to resolve issues.

The Company accepts a level of operational risk as an integral and unavoidable part of our business where it arises out of the activities we undertake in order to provide services to our customers and generate profits for our shareholders.

The primary objectives of operational risk management within the Group are to ensure there is:

- A robust risk culture so that employees are able to identify, assess, manage and report against the key risks the business is faced with and/or may face as it looks to the horizon and implements the Group business strategy;
- An appropriate balance between minimising risk and the cost of control;
- A defined risk appetite within which risks are managed; and
- A swift and effective response to events in order to minimise impact.

Credit risk

Credit risk is the risk that the Company is exposed to a loss if another party fails to meet its financial obligations to that company, including failing to meet them in a timely manner. The Group has established a credit risk policy which sets out restrictions on the permitted financial transactions with counterparties to control and monitor the level of credit risk to which the Company is exposed, and the Company has adopted this policy. The value of credit risk exposures and the credit rating of counterparties are monitored monthly.

The Company's principal assets are cash and cash equivalents, investment management fees due from the funds it manages, and unsettled trade debtors in connection with dealings into and out of its managed funds.

Cash is held across a diversified list of counterparties, primarily banks and money market funds, with high credit ratings assigned by international credit rating agencies. Management fees due from managed funds are settled monthly and underpinned by assets held within those funds. Unsettled trade debtors are settled on standard settlement terms (typically T+4), and outstanding trades are fully collateralised by the underlying assets held within the fund.

The majority of loans and receivable balances are all short-term in nature. The principal amounts receivable on these balances are materially the same as fair value and as such credit risk has not had a significant impact on the valuation of the balances.

A significant amount of the Company's sales are to fellow subsidiary undertakings, so this risk is somewhat diminished. Details on the Company's exposure to credit risk from cash and cash equivalents is included in note 17 Cash and Cash equivalents.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Market risk
Market risk is defined as the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from fluctuations in equity prices, interest rates and foreign exchange rates, where assets and liabilities are not precisely matched.

The Group has established a market risk policy which sets out the market risk management governance framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements. The Company has adopted this policy.

The financial impact of more extensive movements in market risk other than those that could reasonably be expected is examined through stress tests carried out within the ICARA. Market risk arises from exposure to movements in interest rates, equity and property values and foreign exchange rates.

Market risk arises from movement in the following variables:

Interest rate risk
Interest rate risk is the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for, a negative impact on earnings or capital and / or reduced solvency.

The Company is not exposed to material interest rate risk. Interest rate risk arises primarily from cash balances and financial instruments held which are exposed to fluctuations in interest rates.

The effective interest rate applicable to interest bearing financial instruments is as follows:

	2022 Variable	2021 Variable
Assets		
Deposits with credit institutions	1.33%	0.01%

Price risk
In accordance with the Market Risk Policy, the Company does not invest shareholder assets in equity, or related collective investments, except for small seed capital positions which are subject to internal limits.

Foreign exchange rate risk
The Company has no material exposure to foreign exchange risk. The Company holds some foreign currency balances; these amounted to a debit balance of £1.7m (2021: £3.0m) in US dollars, and a debit balance of £0.9m (2021: £1.0m) in Euros.

Liquidity risk
Liquidity risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency.

The Group has established a liquidity risk policy, which sets out the practices that each business unit must perform to manage exposure to liquidity risk, and the Company has adopted this policy. Liquidity risk is managed on an on-going basis and reported monthly at the Treasury Governance and Risk Forum.

The Company has access to an undrawn loan facility with Quilter Holdings Limited which can be drawn down upon should cash levels fall below the Early Warning Threshold as monitored under Quilter Investors' financial risk appetite framework.

Financial liabilities of the Company consist of trade and other payables of £70.8m (2021: £83.9m) which are expected to mature within three months. Financial assets of the Company include trade and other receivables of £80.1m (2021: £85.3m) which are all expected to mature within three months.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Capital risk
Capital risk is the risk of insufficient capital to meet regulatory and stakeholder requirements resulting in the potential to place constraints on the business plan/strategy, inability to absorb losses, damage to reputation and or regulatory fines and / or censure. The Capital Management policy sets out the key considerations and restrictions regarding the amounts of capital that is retained.

Capital is managed by ensuring that the Company has sufficient capital resources to meet its liabilities to its customers, except in the event of extreme adverse circumstances with an acceptably small likelihood of occurrence. The Company also retains sufficient capital resources to meet regulatory capital requirements and to maintain working capital to provide for fluctuations in experience.

The Company regards the regulatory statutory capital resources of £43.5m (unaudited) (2021: £40.1m unaudited) as capital. The regulatory capital requirements have been met throughout the year. The ICARA process is used to assess the level of capital which should be retained by the Company. The ICARA process considers all the risks faced by the Company and the degree to which risks have similar or related causes and so could occur together.

Expenses
Expense risk is the risk that actual expenses exceed the expectation when preparing the business plan. This may result in emerging profit falling below the Company's profit objectives.

Expense levels are monitored monthly against budgets and forecasts. An activity based costing process is used to allocate costs relating to processes and activities to individual products.

Sensitivity tests
Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2022 and 31 December 2021. The same methods and assumptions have applied to both 2022 and 2021 comparatives.

Interest rate risk
The Company is not directly exposed to material interest rate risk. Interest rate risk arises primarily from bank balances held which are exposed to fluctuations in interest rates. The Company's maximum exposure to loss caused by interest rate changes is limited to the interest revenue it earns on bank deposits, which was £0.870m in 2022 (2021: £0.01m).

Market risk
A 10% movement in assets under management would impact the annual fee income, and rebates payable to third parties. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year (e.g. if the current assets under management is £10.0 billion, the test allows for the effect of an immediate change in assets under management to £9.0 billion and to £11.0 billion).

A decrease in value of assets under management by 10% from the start of the year would have decreased profit by £8.6m after tax (2021: £12.1m). An equal change in the opposite direction would have increased profit by £8.6m after tax (2021: £12.1m).

Expenses risk
The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase.

An increase in expenses of 10% would have decreased profit by £2.2m after tax (2021: £2.4m).

4 FEE INCOME

	2022 £000's	2021 £000's
Initial fees	-	45
Investment management income	166,128	188,944
	166,128	188,989

5 CHANGE IN CONTRACT LIABILITIES

	2022 £000's	2021 £000's
Opening balance	100	121
Capitalisation of contract liabilities	-	45
Amortisation of contract liabilities	(76)	(66)
Change in contract liabilities	(76)	(21)
Closing balance	24	100

The entity expects to recognise the above balances as revenue in the following years.

	2022 £000's	2021 £000's
Within one year	15	75
One to five years	9	25
Closing balance	24	100

6 INVESTMENT RETURN

	2022 £000's	2021 £000's
Interest receivable from cash deposits	870	7
Total Profit/(Loss) on financial instruments at fair value through the income statement	10	(4)
Foreign exchange	178	51
Total investment return	1,058	54

Investment return classified as held mandatorily at fair value through the income statement relates to net gains/losses on units held in the managed funds.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

7 OTHER INCOME

	2022 £000's	2021 £000's
Other income from Group undertakings	635	686
Other income	69	-
Total other income	704	686

Other income relates to inter-company income from Quilter Investors Portfolio Management Limited in respect of services provided and for 2022, other income includes expenses initially paid by the Company which are reimbursed by an external company, at cost as no service was provided.

8 ADMINISTRATIVE EXPENSES

	2022 £000's	2021 £000's
Fund administration costs	14,093	15,398
Management fees paid to fellow Group undertakings	15,217	14,961
Other expenses	27,100	28,952
	56,410	59,311

In 2022 and 2021 the Company had direct employees whose costs are included in other expenses, the details of which are disclosed in Note 10.

Auditor's remuneration

	2022 £000's	Restated[1] 2021 £000's
Fees payable to the Company's auditor for the audit of the Company's annual accounts	127	115
Fees payable to the funds' auditor for the audit of the funds' annual accounts	780	710
Fees payable to the Company's auditor for non-audit services	113	129
Fees payable to the funds' auditor for non-audit services	20	4

[1]The prior year has been restated to present the audit fees excluding VAT.

Fees payable to the funds' auditor for the audit of the funds' annual accounts consist of fund audit fees paid. Company non-audit services consist of profit verification (prior year only) and CASS audit work. Non-audit services in relation to the funds consist of solvency statement and termination statement work. Fees relate to PricewaterhouseCoopers LLP.

Fees payable to the Company's auditor for the audit of the Company's annual accounts and non-audit services are paid by another entity within the Quilter Group and are recharged to the Company.

9 DIRECTORS' REMUNERATION

	2022 £000's	2021 £000's
Aggregate Directors' emoluments		
Remuneration by the Company	898	1,020
Pension by the Company	18	9
Loss of office	256	-
Total share based payments	352	220
Emoluments of the highest paid Director		
Aggregate emoluments excluding pension contributions	187	392
Pension contributions	2	4
Loss of office	256	-
Share based payments	134	105

3 Directors had money paid to money purchase schemes during the year (2021: 4).

3 Directors received, or were due to receive shares or share options under a long-term incentive scheme (2021: 4).

3 Directors exercised options during the year (2021: 3).

The highest paid Director exercised share options during the current year and the prior year. The highest paid Director also had money paid to money purchase schemes. The highest paid Director was eligible to receive shares or share options in the current year and the prior year.

During the year there was £256,440 compensation for loss of office paid to Directors (2021: £nil); this includes the estimated money value of the following benefits: payment in lieu of notice, loss of participation in the Save As You Earn scheme, pay-out of contractual long term incentive, pension contributions, bonus and statutory redundancy.

Of the Directors' emoluments shown above, £746,172 (2021: £412,861) is included in management fees payable to Group undertakings shown in note 8.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

10 EMPLOYEE BENEFITS

	2022 £000's	2021 £000's
Wages and salaries	12,543	14,789
Share-based payments	1,370	1,489
Social security costs	1,681	1,635
Pension costs	896	920
Total employee benefits	16,490	18,833

The pension costs shown above are the Company's contributions into defined contribution pension plans.

	2022 Number	2021 Number
The average number of employees was as follows		
Dealing and investments	16	15
Administration and support	81	91
	97	106

11 COMMISSION AND REBATES PAID TO INTRODUCERS

	2022 £000's	2021 £000's
Rebates paid to Group undertakings	1,209	7,952
Rebates paid to external introducers	17,242	14,896
Initial commission	-	1
Investment adviser fees paid to Group undertakings	906	817
Investment adviser fees	22,075	23,996
	41,432	47,662

12 TAX ON PROFIT

Tax charged to the income statement	2022 £000's	2021 £000's
Current Tax		
United Kingdom	13,386	15,945
Adjustments to current tax in respect of prior years	1	64
Total current tax charge	13,387	16,009
Deferred tax		
Origination and reversal of temporary differences	114	(307)
Effect on deferred tax of changes in tax rates	(94)	(81)
Adjustment to deferred tax in respect of prior periods	4	-
Total deferred tax charge/(credit)	24	(388)
Total tax charged to the income statement	13,411	15,621

Reconciliation of total income tax expense

The income tax charged to profit or loss differs from the amount that would apply if all of the Company's profits had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

	2022	2021
Profit before tax	70,124	82,777
Corporation tax charge at 19% (2021: 19%)	13,324	15,728
Effect of:		
Expenses not deductible for tax purposes	176	(80)
Adjustments to current tax in respect of prior years	1	64
Net movement on unrecognised deferred tax assets	-	(10)
Effect on deferred tax for changes in tax rates	(94)	(81)
Adjustments to deferred tax in respect of prior years	4	-
Total tax charged to the income statement	13,411	15,621

The main rate of corporation tax is 19% for the financial year 2022 (2021: 19%). The rate will increase to 25% with effect from 1 April 2023. This change was substantively enacted in 2021 and the new rate has been used in recognising the Company's deferred tax assets and liabilities for reversals expected to take place on or after 1 April 2023.

The Company has recognised deferred tax assets as disclosed in note 14. The Company considers that future years' profits will be sufficient to utilise the tax asset carried forward.

13 CONTRACT COSTS

	2022 £000's	2021 £000's
Opening balance	-	1
Amortisation of contract costs	-	(1)
Closing balance	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

14 DEFERRED TAX ASSETS

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

The following are the deferred tax balances recognised by the Company and the movements thereon, during the current and prior reporting years.

	Accelerated Depreciation	Share based payments	Other temporary differences	Closing deferred tax asset/ (liability)
	£000's	£000's	£000's	£000's
Assets/ (liabilities) at 1 January 2021	0	(358)	855	497
Income statement (charge)/credit	37	841	(490)	388
Equity credit	-	41	-	41
Assets at 31 December 2021	37	524	365	926
Income statement (charge)/credit	(5)	(69)	50	(24)
Equity (charge)	-	(77)	-	(77)
Assets at 31 December 2022	32	378	415	825

Deferred tax assets or liabilities are recognised to the extent that temporary differences are expected to reverse in the foreseeable future. The timing of reversals are estimated based on the Company's annual business plan. Deferred tax assets are recognised to the extent that they are supported by the Company's business plan or where appropriate the Group's business plan.

Sensitivity analysis demonstrates headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the 3 year planning horizon. The impacts of a 20% decrease in profitability have been assessed and do not give rise to concerns over recoverability.

The main rate of corporation tax is 19% for the financial year 2022. The rate will increase to 25% with effect from 1 April 2023. This change having been substantively enacted has been used in recognising the Company's deferred tax assets and liabilities for reversals expected to take place on or after 1 April 2023.

15 INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES

	2022 £000's	2021 £000's
Financial assets mandatorily at fair value through profit or loss		
Investments in collective investment schemes	2	1

Investments in collective investment schemes are classified as financial investments mandatorily at fair value through profit or loss and are recoverable within 12 months.

16 TRADE AND OTHER RECEIVABLES

	2022 £000's	Restated[1] 2021 £000's
Due from Group undertakings	35,441	29,656
Trade debtors	29,566	37,110
Investment management fees receivable	13,303	16,992
Other receivables	2,631	1,512
	80,941	85,270
Current	80,062	84,501
Non-current	879	769
	80,941	85,270

[1]The current and non-current split for 2021 has been restated, as it was previously all reported as current.

All amounts due from Group undertakings are short-term and interest-free with the carrying amount approximating to fair value and are subject to the 12-month ECL model. There have been no non-performing receivables or material impairments in the financial year that require disclosure. None of the receivables reflected above have been subject to the renegotiation of terms. Other receivables are short term and interest free and are carrying at amounts that approximate their fair value. All trade and other receivables are deemed to be financial assets at amortised cost except £1,436,000 (2021: £982,000) of prepayments deemed to be non-financial assets. The current and non-current information is shown in the table above.

17 CASH AND CASH EQUIVALENTS

	2022 £000's	2021 £000's
Financial assets at amortised cost		
Cash held at bank	32,057	40,428
Cash held on deposit	-	9,263
Financial assets designated at fair value through the profit or loss		
Cash held in money market funds	58,000	54,000
Total cash and cash equivalents	90,057	103,691

The cash and cash equivalents comprised of balances held in current and deposit bank accounts and sterling liquidity funds.

Cash held at bank and on deposit is held with A rated counterparties and is subject to the 12-month ECL model. Cash held in money market funds are held with AAA rated counterparties.

18 SHARE CAPITAL

	2022 £000's	2021 £000's
Allotted, called up and fully paid		
12,600,000 ordinary shares of £1 each (2021: 12,600,000 of £1 each)	12,600	12,600

There were no issuances during the current or prior year.

The shares have full voting rights attached.

19 TRADE AND OTHER PAYABLES

	2022 £000's	2021 £000's
Financial liabilities at amortised cost		
Due to Group undertakings	12,405	11,390
Trade creditors	48,757	61,942
Accrued expenses	4,999	7,001
Other creditors	4,615	3,540
	70,776	83,873

Trade creditors principally comprise amounts due to clients and investment settlements outstanding. The Directors consider that the carrying amount of trade and other payables approximates to their fair value. All trade and other payables are short-term and interest-free. Amounts due to Group undertakings are unsecured, interest-free and current.

20 FINANCIAL INSTRUMENTS

Fair value hierarchy

The table below analyses financial instruments into a hierarchy based in the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2022	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Investments in collective investment schemes	2	-	-	2
Investments in money market funds	58,000	-	-	58,000
	58,002	-	-	58,002

As at 31 December 2021	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Investments in collective investment schemes	1	-	-	1
Investments in money market funds	54,000	-	-	54,000
	54,001	-	-	54,001

Level 1 to 2 transfers

There have been no changes in valuation techniques during the year under review. There have been no transfers between Level 1 and Level 2 during the year under review.

Master netting or similar agreements

The Company may from time to time offset financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis or at a simultaneous time. The Company did not offset any financial assets or liabilities under any master netting or similar agreement during the 2022 or 2021 financial year.

Unconsolidated structured entities

The Company manages several investment funds, which are unconsolidated structured entities. This note provides additional information on these funds. The Company holds interests in these funds through the receipt of management and other fees and an equity holding in certain of these funds. The investment funds are open-ended investment companies and professional investment funds, and are beneficially owned by third party investors.

The Company has interest in unconsolidated structured entities relating to cash and cash equivalents held in money market OEIC investments. This represents the ownership of collective investment vehicles that have a narrow and well defined objective. The maximum exposure to losses is equal to the carrying amount of assets held.

21 SHARE-BASED PAYMENTS

During the year ended 31 December 2022, the Company participated in a number of share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

21 (a) Description of share-based payment arrangements

The Company operates the following share-based payment schemes with awards over Quilter plc shares: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, and the Quilter plc Sharesave Plan.

	Description of award					Vesting conditions		
Scheme	**Restricted shares**	**Conditional shares**	**Options**	**Other**	**Dividend entitlement[1]**	**Contractual life (years)**	**Typical service (years)**	**Performance (measure)**
Quilter plc Performance Share Plan - Share Options (Nil cost options)	-	-	□	-	□	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan - Conditional Shares	-	□	-	-	□	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan - Conditional Shares	-	□	-	-	□	Typically, 3	3	-
Quilter plc Share Incentive Plan - Restricted Shares	□	-	-	-	□	Not less than 3	2	-
Quilter plc Sharesave Plan[3]	-	-	□	□	-	$3^{1/2}$ - $5^{1/2}$	3 & 5	-

[1]Participants are entitled to actual dividends for the Share Incentive Plan. For all other schemes participants are entitled to dividend equivalents.

[2]Adjusted Profit compound annual growth rate ("CAGR").

[3]The Quilter plc Sharesave Plan is linked to a savings plan.

21 (b): Options

The weighted average share price at the dates of exercise for options exercised during the year was £1.17.

The 303,784 options outstanding at 31 December 2022 have an exercise price of £nil for the Quilter plc Performance Share Plan, and between £1.17 and £1.31 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 2.7 years. At 31 December 2021, the exercise price was £nil for the Quilter plc Performance Share Plan, and between £1.25 and £1.31 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 1.5 years.

22 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments as at 31 December 2022 (2021: £nil).

23 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2022 (2021: £nil).

24 ULTIMATE PARENT COMPANY

The immediate parent company and the ultimate parent company is Quilter plc, a company registered in England and Wales.

The Company's financial statements are only consolidated within the financial statements of Quilter plc which are available from:

The Company Secretary
Quilter plc
Senator House
85 Queen Victoria Street
London
EC4V 4AB

25 EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the year-end which require disclosure in, or amendment to, the financial statements.