

Quilter UK Holding Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 December 2022

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Quilter UK Holding Limited

COMPANY INFORMATION

Directors P A Dark
D J L Eardley
J Mitchell
M Sullivan

Secretary Quilter CoSec Services Limited

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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2022.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

Quilter UK Holding Limited (the “Company”) forms part of the Quilter plc group (hereafter “Quilter” or the “Group”). Quilter plc’s ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc acts as the parent company and provides the Company with strategic and governance oversight. The Company forms part of the Head Office function of the Group.

The Company is an investment holding company and as such its principal activities consist of monitoring liquidity and ensuring an adequate level of cash is available to the regulated trading entities should it be required. Conversely, should surplus cash arise in the trading entities, the Company will ensure this is passed from its subsidiaries to its parent Quilter Holdings Limited. The principal activities of the Company’s direct subsidiaries during the year relates to investment products traded within the UK (Quilter Life & Pensions Limited) and risk mitigation services for the Group (Quilter Insurance Company Limited). These activities are expected to continue for the foreseeable future. Its subsidiaries are disclosed in note 9.

The results of the Company for the year are set out in the income statement on page 10.

QUILTER PLC STRATEGY

Quilter plc 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 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 of its stakeholders.

KEY PERFORMANCE INDICATORS (“KPIs”)

The table below shows the KPIs that the Company uses to manage its business performance.

IFRS profit or loss is one of the Company’s key performance indicators. The loss for the year, after taxation, amounted to £20,131,000 (2021: £2,193,000 profit). The loss has arisen due to not receiving dividends in the current year from its subsidiaries, compared to the prior year where the profit arose as a result of the profit on the sale of Quilter International Holdings Limited to Utmost Group and dividends received of £10,000,000 (2022: £nil).

Other internal KPIs used by management are net assets, dividends received, investment in subsidiaries and the return on investment (dividends received expressed as a percentage of investments in subsidiaries).

	2022 £'000	2021 £'000
IFRS (Loss)/profit after tax	(20,131)	2,193
Net assets	38,907	59,038
Dividends received	-	10,000
Investment in subsidiaries	217,510	217,510
Return on investment	0%	4.6%

FINANCIAL POSITION AT THE END OF THE YEAR

The Company’s total net assets have decreased from £59,038,000 to £38,907,000, with cash and cash equivalents decreasing from £85,837,000 to £65,841,000, primarily due to the loss in the current year.

No dividends were received during the year (2021: £10,000,000 from its subsidiary, Quilter Life & Pensions Limited).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company’s strategy through its subsidiaries is subject to a number of risks.

The Company has adopted the Enterprise Risk Management framework of the Group. This provides the framework for the monitoring, management and governance of risk.

The key risks affecting the Company are those that are relevant for the trading subsidiaries that the Company owns. These key risks are described below.

STRATEGIC REPORT (continued)

Climate strategy

Quilter takes its responsibility to the environment very seriously, and is determined to play its part in reducing climate impacts. During 2022, Quilter has begun developing a comprehensive and robust long-term climate strategy to manage climate-related financial and non-financial risks to fulfil our strategic priority to become a responsible wealth manager. This work will continue through 2023 and beyond.

Information technology

Quilter's business is dependent on its technology infrastructure and applications to perform necessary business functions. Much of Quilter's legacy IT estate is currently being replaced by cloud-based applications, thereby reducing internal complexity. Nevertheless, a range of legacy applications are still supported, including the technology platform underpinning the divested Quilter International business, which will be supported until the end of 2023 under a Transitional Services Agreement. Failure to manage technology risk could have a material adverse impact on Quilter's operations, resilience capabilities, financial position and reputation.

Capital management

As a member of the Group, the Company applies the Group Capital Management policy. Quilter manages its capital with a focus on capital efficiency and effective risk management. The capital management objectives are to maintain Quilter's ability to continue as a going concern while supporting the optimisation of return relative to the risks. Quilter ensures that it can meet its expected capital and financing needs at all times by having regard to the business plans, forecasts, strategic initiatives and regulatory requirements in all businesses within the Group. Capital forecasts have been reviewed regularly during the year in response to emerging impacts and, where appropriate, management actions have been taken in response to these forecasts.

Liquidity risk

Quilter's liquidity strategy is to maintain sufficient liquidity within the business such that it can meet its target liquidity requirement at all times. The minimum requirements are set out in the Liquidity policy that ensures a risk appetite statement, limits and triggers are in place, supported by an appropriate Contingency Funding Plan that addresses potential liquidity requirements that may arise during a liquidity stress. The Company monitors liquidity and ensures that an adequate level of cash is available to the regulated entities should it be required.

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 therefore 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. At times these competing stakeholder views can be contradictory and in order to achieve long-term success, it is the Board's role to navigate these complexities. The Board, with support from Corporate Secretariat, continues to engage with management to explain the importance of 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.

The Directors of the Company are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 (1) of the Companies Act 2006 and acknowledge that effective and meaningful engagement with stakeholders and employees is key to promoting the success of the Company. Given the activities of the Company, the key stakeholders are limited to the Company's sole shareholder, other Group entities, the community, and the environment. Consideration is given to these stakeholders when deliberating at Board meetings to the extent appropriate. Further details of how the Company has had regard for its stakeholders can be found in the Directors' Report.

On behalf of the Board



D J L Eardley
Director
04 May 2023

DIRECTORS' REPORT

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

The review of the business, including future outlook and principal risks and uncertainties, are disclosed within the strategic report.

DIRECTORS

The names of the current Directors are listed on page 1. The Directors who have held office during the year and up to the point of signing the financial statements are listed below:

P A Dark
D J L Eardley
J Mitchell
M Sullivan

The Company Secretary during the year was Quilter CoSec Services Limited.

DIRECTORS' INDEMNITIES

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force 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 they may incur (or have incurred) in connection with their duties/powers and office. In addition, the Company maintains Directors' and Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors and Officers.

DIVIDENDS

During the year no dividends were paid (2021: £220,000,000) and no further dividend is recommended (2021: £nil).

EMPLOYEES

The Company has no employees (2021: nil). Management services are provided by Quilter Business Services Limited, a fellow Group undertaking.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the Company are disclosed in the Strategic Report.

POLITICAL DONATIONS

During the year, the Company made no political donations (2021: £nil).

CHARITABLE DONATIONS

During the year, the Company made charitable donations of £nil (2021: £7,374).

BUSINESS RELATIONSHIPS STATEMENT

The Company forms part of the 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 business relationships.

Our Third-Party Risk Management policy sets out requirements with respect to our procurement, outsourcing and supplier management activities. Our Supplier Code of Conduct applies to all suppliers and their sub-contractors that provide goods and services to Quilter. It sets out the minimum standards we expect our suppliers to adhere to when doing business with Quilter in addition to the contractual terms agreed. This code covers legal compliance, ethical standards, conflicts of interest, anti-bribery and corruption, brands, trademarks and intellectual property, information and data protection, labour standards, living wage, discrimination, health and safety, and environmental management. We also expect our suppliers to promote these standards in their own supply chain where practical.

An explanation of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, 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 Quilter plc Annual Report 2022, which does not form part of this report. There are no further considerations which would be relevant for the Company.

DIRECTORS' REPORT (continued)

CLIMATE CHANGE

Quilter takes its responsibility to the environment very seriously and is determined to play its part in reducing climate impacts. During 2022, Quilter has begun developing a comprehensive and robust long-term climate strategy to manage climate-related financial and non-financial risks to fulfil our strategic priority to become a responsible wealth manager. To achieve this ambition, Quilter 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 is aligned with the Taskforce on Climate-related Financial Disclosures disclosure requirements. This work will continue through 2023 and beyond.

STREAMLINED ENERGY AND CARBON REPORTING

The Group is committed to managing its environmental impact and supports the Carbon Disclosure Project, 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.

INVESTING RESPONSIBLY

Quilter has made a commitment to embed responsible investment principles across the business and is a signatory of the UN-backed Principles for Responsible Investment. We are embedding environmental, social and governance ("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.

CORPORATE GOVERNANCE STATEMENT

Quilter plc is subject to the requirements of the 2018 UK Corporate Governance Code and has set out its compliance with the Code's provisions during the year in the Quilter plc Annual Report 2022. The Company has chosen not to apply a governance code during the year. As a wholly owned indirect subsidiary of Quilter plc, the Company has instead complied with the Quilter plc Group Governance Framework which sets out certain minimum standards and guidance for the governance framework of Quilter plc's subsidiaries. The Board's composition is comprised of Executive Directors and is consistent with the Quilter plc Group Governance Manual's requirements.

DISCLOSURE OF INFORMATION TO AUDITORS

Each 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 a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given in accordance with the provisions of the Companies Act 2006.

EVENTS AFTER THE REPORTING DATE

There are no events that have occurred, between the reporting date and the date when the financial statements have been authorised for issue, that require disclosure.

STATEMENT OF GOING CONCERN

The financial statements have been prepared on a going concern basis. The Board has reviewed the Company's projections for the next 12 months and beyond including cash flow forecasts. As a result, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approving these financial statements.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has been appointed by the Company to hold office in accordance with Section 485 of the Companies Act 2006 for the 2022 financial year and have indicated their willingness to continue in office.

On behalf of the Board



D J L Eardley
Director
04 May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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 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 also responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent 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 UK Holding Limited

Report on the audit of the financial statements

Opinion

In our opinion, Quilter UK Holding 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 loss 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, 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.

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 requirements and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate manual journal entries and management bias in accounting estimates and judgemental areas of the financial statements. 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;
- Reviewing relevant meeting minutes, including those of the Board of Directors, for matters of relevance to the audit;
- Identifying and testing unusual manual journal entries posted during the year, which may be indicative of management bias and account manipulation;
- 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;
- Reviewing the disclosures in the Annual Report and financial statements against the specific legal requirements, for example within the Directors' Report; and
- Assessing the reasonableness of assumptions made by management in accounting estimates and judgements.

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.

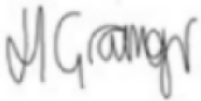
Other required reporting

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.

We have no exceptions to report arising from this responsibility.



Helen Grainger (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
04 May 2023

INCOME STATEMENT

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue			
Investment return	3	1,652	10,554
Expenses			
Administrative expenses	4	(13,172)	(32,163)
Finance costs	5	<u>(10,234)</u>	<u>(10,860)</u>
Total expenses		<u>(23,406)</u>	<u>(43,023)</u>
Profit on disposal of subsidiary undertaking	9	-	26,580
Loss before tax		<u>(21,754)</u>	<u>(5,889)</u>
Income tax credit	7	1,623	8,082
(Loss)/profit after tax		<u>(20,131)</u>	<u>2,193</u>
Attributable to equity holder		<u>(20,131)</u>	<u>2,193</u>

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

The notes on pages 14 to 27 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	2022 £'000	2021 £'000
(Loss)/profit after tax	<u>(20,131)</u>	<u>2,193</u>
Total comprehensive (loss)/profit for the year All attributable to equity holder	<u>(20,131)</u>	<u>2,193</u>

The notes on pages 14 to 27 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Note	Ordinary Share capital £'000	Retained earnings £'000	Total shareholder equity £'000
Balance at 1 January 2022		-	59,038	59,038
Total comprehensive loss for the year		-	(20,131)	(20,131)
Balance at 31 December 2022		-	38,907	38,907

	Note	Ordinary Share capital £'000	Retained earnings £'000	Total shareholder equity £'000
Balance at 1 January 2021		58,000	218,845	276,845
Total comprehensive profit for the year		-	2,193	2,193
Dividends paid	8	-	(220,000)	(220,000)
Reduction of share capital		(58,000)	58,000	-
Balance at 31 December 2021		-	59,038	59,038

The notes on pages 14 to 27 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Investments in subsidiary undertakings	9	217,510	217,510
Deferred tax assets	10	2,365	1,444
Loans and advances	11	40,000	40,000
Other receivables	12	2,339	1,928
Current tax assets		9,013	12,018
Cash and cash equivalents	13	65,841	85,837
Total assets		<u>337,068</u>	<u>358,737</u>
Equity and liabilities			
Equity			
Retained earnings		38,907	59,038
Total equity		<u>38,907</u>	<u>59,038</u>
Liabilities			
Interest bearing liabilities	15	293,120	263,120
Current tax liabilities		641	-
Other liabilities	18	-	181
Other payables	19	4,400	36,398
Total liabilities		<u>298,161</u>	<u>299,699</u>
Total equity and liabilities		<u>337,068</u>	<u>358,737</u>

The notes on pages 14 to 27 are an integral part of these financial statements.

The financial statements on pages 10 to 27 were approved by the Board of Directors on 04 May 2023 and signed on its behalf by:



D J L Eardley
Director

Company registered number: 01752066

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1 GENERAL INFORMATION

Quilter UK Holding Limited (the "Company") forms part of the Quilter plc Group (the "Group") and is a private limited company, that is 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 pages 2 to 3.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company 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 and applicable regulations.

The accounting policies have been applied consistently for the years presented in these financial statements.

These financial statements have been prepared on the historical cost basis 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.

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 in the critical accounting estimates and judgements section on page 15.

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

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- 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);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- 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 Company is a wholly owned subsidiary of Quilter Holdings Limited and of its ultimate parent, Quilter plc. It is included in the consolidated financial statements of Quilter plc, which are publicly available. Therefore, the Company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office can be found in note 21.

Going Concern

The financial statements have been prepared on a going concern basis. The Board has reviewed the Company's projections for the next 12 months and beyond including cash flow forecasts. As a result, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approving these financial statements.

Liquidity analysis of the statement of financial position

The Company'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 12 months after the reporting date are disclosed separately in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Company's significant accounting policies and make estimates and assumptions that affect the reported amounts of net assets and liabilities at the date of the financial statements. Management reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these 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 shown below and involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the 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. Actual results may differ from those estimates.

Area	Critical accounting estimates	Note
Investments in subsidiaries measurement	Investment in subsidiaries are initially held at historical cost and tested annually for impairment. Where the values of the subsidiaries are impaired, then investments in subsidiaries are carried at management's estimate of the recoverable value, being the higher of the value-in-use or fair value less costs to sell.	9
Deferred tax measurement	The estimation of future taxable profits is performed as part of the annual business planning process and is based on estimated levels of assets under management, which are subject to a large number of factors including global stock movements, related movements in foreign exchange rates and net client cash flows, together with estimates of expenses and other charges. The Group Business Plan is used to determine the extent to which deferred tax assets are recognised. In general, the Company assesses the recoverability of assets based on the Group's estimated taxable profits over a three-year planning horizon.	10

Significant changes in the year

There are no significant changes in the current reporting period.

Significant accounting policies

There have been no changes to the Company's significant accounting policies as a result of changes in accounting standards during the year. The accounting policies disclosed in these notes have been consistently applied throughout the current and prior financial year.

Financial instruments

Financial instruments cover a range of financial assets, including loans and advances, cash and cash equivalents and other receivables and financial liabilities, including other payables and borrowings. 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.

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. The Company determines its strategy in holding the financial asset, particularly considering whether the Company earns contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

be reviewed, along with the reasons for such sales and expectations about future sales activity. These factors enable management to determine which financial assets should be measured at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

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: 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.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated 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 on the principal amount outstanding on specified dates.

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 as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortised cost, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVTPL because this best reflects the way they are managed.

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 statement of comprehensive income.

Loans and advances

Loans and advances are non-derivative financial instruments with fixed or determinable terms of repayment that are not quoted in an active market.

Loans to Group companies are initially recorded at fair value including transaction costs and are recognised on the date the funds are transferred. Subsequently, loans are stated at amortised cost, using the effective interest rate method less any deduction for possible impairment. Loans are valued on an individual basis.

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.

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Investments in collective investment schemes

Investments in collective investment schemes are designated at fair value through the income statement at initial recognition and are subsequently measured at fair value, with any resultant gain or loss recognised in the income statement.

Holdings in unit trusts are valued at quoted bid price for long positions and quoted offer price for short positions. Open Ended Investment Company assets are single priced funds and are valued at the quoted net asset value per share. Any holdings in dual priced unit trusts are priced at the mid-price of the creation and cancellation prices. Purchases and sales of securities and currencies are recognised on the trade date.

Financial liabilities and equity

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

Impairment of financial assets

The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, but not to financial assets at FVTPL. Financial assets at amortised cost include loans and advances, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value) and other receivables.

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

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 IFRS 9's ECL model to all financial assets which are measured at amortised cost:

– Loans at amortised cost, other receivables and cash and cash equivalents, 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Intercompany 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 intercompany balances, no ECL has been recognised on intercompany balances.

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.

Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Company concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Other receivables

Other receivables are non interest-bearing and are stated at amortised cost, which is not materially different to cost and approximates to fair value.

Investments in subsidiaries

Parent company investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments or reversals of impairments are recognised in the income statement as they occur.

Interest bearing liabilities

Interest bearing liabilities are recognised initially at the proceeds received, net of transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Other payables

Other payables are short-term, non interest-bearing and are stated at amortised cost, which is not materially different to cost and approximates to fair value.

Revenue recognition

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

Dividend income

Dividend income from investments is recognised when the shareholder's rights to receive payments have been established.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount.

Investment gains and losses

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 investments arising in the year are included in the income statement.

Expense recognition

All expenses are recognised in the income statement as a cost when incurred.

Taxation

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. For the Company, the recognition of deferred tax assets is subject to the estimation of future taxable profits, which is based on the flows of the Company and the Group, and in particular on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements and related movements in foreign exchange rates, together with estimates of net client cash flow, expenses and other charges.

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. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note 10 includes further detail of circumstances in which the Company does not recognise temporary differences.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

3 INVESTMENT RETURN

	2022 £'000	2021 £'000
Dividends from subsidiary, Quilter Life & Pensions Limited	-	10,000
Interest on short-term bank deposits (amortised cost)	886	-
Interest on loan to immediate parent	749	545
Realised gains, equities - shareholder	17	9
	<u>1,652</u>	<u>10,554</u>

4 ADMINISTRATIVE EXPENSES

	2022 £'000	2021 £'000
Management fees paid to group undertaking	<u>13,172</u>	<u>32,163</u>
Of which:		
Auditors' remuneration: audit services paid to PricewaterhouseCoopers LLP	<u>6</u>	<u>5</u>

Management fees paid to a Group undertaking for the year ended 31 December 2021 included the reimbursement of costs related to the disposal of the Company's investment in Quilter International Holdings Limited.

Amounts paid to PricewaterhouseCoopers LLP in 2022 were in respect of statutory audit fees of £5,758 (2021: £5,225). There are no non-audit fees (2021: £nil).

5 FINANCE COSTS

	2022 £'000	2021 £'000
Finance costs for liabilities held at amortised cost		
Interest payable to ultimate parent ¹	-	2,623
Interest payable to immediate parent ²	2,193	700
Interest payable to fellow group undertaking ³	7,508	7,531
Interest payable to subsidiary undertakings ⁴	533	-
Interest on short-term bank deposits (amortised cost)	-	6
	<u>10,234</u>	<u>10,860</u>

¹Quilter plc

²Quilter Holdings Limited

³Quilter Perimeter Holdings Limited

⁴Quilter Life & Pensions Limited and Quilter Insurance Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

6 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The Directors' emoluments disclosed below are in respect of the four Directors of the Company in office during the year who are directly employed by Quilter Business Services Limited, a fellow group undertaking (2021: five Directors). During the year the Company paid £97,693 (2021: £60,182), relating to Directors' remuneration, to Quilter Business Services Limited as part of the management fee.

The disclosure includes the remuneration of those Directors in relation to their services to this Company and its subsidiaries. The remuneration for each Director is apportioned on the basis of time spent across the Company and its subsidiaries but restricted to the period in which they were a Director of this Company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity and as such, only Directors are considered to meet this definition.

	2022 £'000	2021 £'000
Aggregate Directors' emoluments		
Aggregate emoluments excluding pension contributions	341	328
Company pension contribution to money purchase schemes	9	10

Four Directors had money paid to money purchase schemes during the year (2021: Five).

Four Directors received or were due to receive shares or share options under a long-term incentive scheme (2021: Five). Four Directors (2021: Four) exercised options during the year.

Shares or share options were in Quilter plc shares.

	2022 £'000	2021 £'000
Emoluments of the highest paid Director		
Aggregate emoluments excluding pension contributions	132	108
Company pension contribution to money purchase schemes	1	3

The highest paid Director exercised share options during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

7 TAXATION

	2022 £'000	2021 £'000
Tax charged to the income statement		
Current tax		
United Kingdom	(3,896)	(7,670)
Adjustments to current tax in respect of prior periods	3,194	(65)
Total current tax credit	<u>(702)</u>	<u>(7,735)</u>
Deferred tax		
Origination and reversal of temporary differences	(700)	-
Effect on deferred tax of changes in tax rates	(221)	(347)
Total deferred tax credit	<u>(921)</u>	<u>(347)</u>
Total tax credited to the income statement	<u>(1,623)</u>	<u>(8,082)</u>

Reconciliation of total income tax expense

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

	2022 £'000	2021 £'000
Loss before tax	<u>(21,754)</u>	<u>(5,889)</u>
Corporation tax credit at 19% (2021: 19%)	(4,133)	(1,119)
Effect of:		
Foreign income of CFC's attributable to local entities	240	401
Dividends received not taxable	-	(1,900)
Income/gains not taxable	-	(5,050)
Utilisation of previously unrecognised deferred tax	(700)	-
Expenses not deductible for tax purposes	(3)	(2)
Adjustments to current tax in respect of prior years	3,194	(65)
Effect on deferred tax for changes in tax rates	(221)	(347)
Total tax credited to the income statement	<u>(1,623)</u>	<u>(8,082)</u>

Factors that may affect future charges

The main rate of corporation tax is 19% for the financial year 2022 (2021:19%). The rate increased 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 10. The Company considers that future years' profits will be sufficient to utilise the tax asset carried forward.

8 DIVIDENDS

	2022 £'000	2021 £'000
Dividends paid		
2021 dividends paid to Quilter Holdings Limited (22,000,000,000p per share)	-	220,000
Dividends paid to immediate parent	-	220,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2022 £'000	2021 £'000
Investments in subsidiary undertakings	<u>217,510</u>	<u>217,510</u>

Investments in subsidiaries are stated at cost, less impairment in value. All shares held are ordinary shares.

Movement analysis

	Investments in subsidiaries £'000
At 1 January 2021	616,643
Disposal of subsidiary	<u>(399,133)</u>
At 31 December 2021	<u>217,510</u>
At 31 December 2022	<u>217,510</u>

2021 disposal of subsidiary

On 30 November 2021, the Company completed the sale of Quilter International Holdings Limited to Utmost Group for consideration of £441,047,000. As a result of the sale, the Company generated a profit on sale of £26,580,000. This represents the sale proceeds of £441,047,000, less directly-attributable sale costs of £15,334,000, less the carrying value of assets disposed of, which amounted to £399,133,000.

The subsidiary undertakings at the year-end, all wholly owned and registered in England and Wales, unless otherwise stated, are:

Company name	Share class	% Held	Registered office address
Quilter Life & Pensions Limited ¹	Ordinary	100	Senator House, 85 Queen Victoria Street, London, EC4V 4AB
Quilter Pension Trustees Limited	Ordinary	100	Senator House, 85 Queen Victoria Street, London, EC4V 4AB
Quilter Insurance Company Limited ¹ (incorporated in Isle of Man)	Ordinary	100	Third Floor, St Georges Street, Upper Hill Street Douglas, IM1 1EE, Isle of Man

¹Directly Owned

Impairment testing

In accordance with the requirements of IAS 36 Impairment of Assets, the investments in subsidiaries are reviewed annually for indication of impairment. Upon this review in 2022, it has been identified that net assets of each subsidiary exceed the value of the investments. Accordingly, the Directors consider there is no indication of impairment and no further testing for impairment required.

Should further testing be required, testing for impairment is performed by comparing the carrying value of the underlying investment to the recoverable value, being the higher of the value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

10 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 period.

	Tax losses £'000	Closing deferred tax asset £'000
Assets at 1 January 2021	1,097	1,097
Income statement credit	<u>347</u>	<u>347</u>
Assets at 31 December 2021	1,444	1,444
Income statement credit	<u>921</u>	<u>921</u>
Assets at 31 December 2022	<u>2,365</u>	<u>2,365</u>

Deferred tax assets or liabilities are recognised to the extent that temporary differences are expected to reverse in the foreseeable future. The timings 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.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where, on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

Sensitivity analysis demonstrates headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the three-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 increased 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.

Unrecognised deferred tax assets

The amounts for which no deferred tax asset has been recognised comprises:

	31 December 2022		31 December 2021	
	Gross amount £'000	Tax £'000	Gross amount £'000	Tax £'000
Pre-April 2017 UK tax losses	<u>26,513</u>	<u>6,628</u>	<u>26,513</u>	<u>6,628</u>
Total unrecognised deferred tax assets	<u>26,513</u>	<u>6,628</u>	<u>26,513</u>	<u>6,628</u>

Pre-April 2017 losses are ringfenced and are only available to set off against profits of the Company. A deferred tax asset has not been recognised as there is sufficient uncertainty to the extent it is probable there will be future taxable profits to utilise the losses. Unrecognised losses are available to carry forward with no expiry date, subject only to the continuation of the business.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

11 LOANS AND ADVANCES

	2022 £'000	2021 £'000
Loan to immediate parent at Bank of England ("BoE") base rate + 0.5% (2021: 1 month LIBOR + 1.304%)	<u>40,000</u>	<u>40,000</u>

The loan is recognised at amortised cost, with the carrying amount approximating to fair value. The BoE base rate was 3.5% at the accounting date. In 2021, LIBOR was used and therefore no comparative has been presented for the BoE base rate.

The loan is unsecured and repayable on demand. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances.

12 OTHER RECEIVABLES

	2022 £'000	2021 £'000
Accrued bank interest	153	9
Due from fellow group undertakings	2,177	1,904
Due from immediate parent	9	4
Due from ultimate parent	-	11
	<u>2,339</u>	<u>1,928</u>

All amounts due from Group companies are unsecured and are settled quarterly. All amounts are current and interest free and recognised at amortised cost, with the carrying amount approximating to fair value.

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.

13 CASH AND CASH EQUIVALENTS

	2022 £'000	2021 £'000
Bank balances	10,920	13,456
Money market funds	<u>54,921</u>	<u>72,381</u>
Cash and cash equivalents	<u>65,841</u>	<u>85,837</u>

Bank balances are current and recognised at amortised cost. Money market investments are current, recognised mandatorily at FVTPL, and are credit rated AAA. Bank balances are subject to a 12-month ECL, and are credit rated A.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

14 SHARE CAPITAL

	2022 £'000	2021 £'000
Allotted, called up and fully paid	<u>-</u>	<u>-</u>

On 30 November 2021, the issued share capital of the Company was reduced from £57,999,999 to £1 as a result of cancelling and extinguishing 57,999,998 of the issued ordinary shares of £1 each in the capital of the Company, and the amount by which the share capital was reduced was credited to reserves.

The Company has elected under the Companies Act 2006 to remove authorised share capital limits.

15 INTEREST BEARING LIABILITIES

	2022 £'000	2021 £'000
Loan from immediate parent at BoE base rate + 0.5% (2021: 3 month LIBOR + 0.5%) ¹	122,704	122,704
Loan from fellow group undertaking at 5.512% ²	136,216	136,216
Loan from subsidiary undertaking at BoE base rate + 0.5% ³	30,000	-
Loan from fellow group undertaking at BoE base rate + 0.5% (2021: 1 month LIBOR + 0.5%) ⁴	4,200	4,200
	<u>293,120</u>	<u>263,120</u>

¹Quilter Holdings Limited

²Quilter Perimeter Holdings Limited

³Quilter Life & Pensions Limited

⁴Quilter Insurance Company Limited

Amounts borrowed are at amortised cost, unsecured and repayable on demand. The carrying amount approximates to fair value which is valued as the principal amount repayable. The BoE base rate was 3.5% at the accounting date. In 2021, LIBOR was used and therefore no comparative has been presented for the BoE base rate.

16 FINANCIAL AND CAPITAL COMMITMENTS

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

17 CONTINGENT LIABILITIES

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

18 OTHER LIABILITIES

	2022 £'000	2021 £'000
Unsecured loan notes	<u>-</u>	<u>181</u>

A loan note liability held by IFA Holding Company Limited, a Group undertaking, was transferred to the Company during 2019. An equivalent cash amount was paid to the Company from IFA Holding Company Limited at the same time. The loan notes were held at a nominal interest rate range of 4.0975% - 8.0975%.

The transfer of the liability was approved to enable the preparation of the strike off of IFA Holding Company Limited during 2021.

Given the period to redeem the loan notes expired in 2010, the Company took the decision to fully release the liability during 2022.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

19 OTHER PAYABLES

	2022 £'000	2021 £'000
Due to subsidiary undertaking ¹	7	-
Due to immediate parent ²	27	-
Due to ultimate parent ³	-	21
Due to fellow group undertakings ⁴	4,366	36,342
Loan note accruals	-	35
	<u>4,400</u>	<u>36,398</u>

¹Quilter Life & Pensions Limited

²Quilter Holdings Limited

³Quilter plc

⁴Quilter Business Services Limited, Quilter Perimeter Holdings Limited and Quilter Cheviot Limited

All amounts are due to Group companies, are current and at amortised cost, unsecured, interest free and are settled quarterly.

20 EVENTS AFTER THE REPORTING DATE

There are no events that have occurred, between the reporting date and the date when the financial statements have been authorised for issue, that require disclosure.

21 ULTIMATE PARENT COMPANY

The Company's immediate parent company is Quilter Holdings Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is Quilter plc, the ultimate parent company and controlling party, registered in England and Wales. The financial statements are available from:

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