ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2023

Quilter Cheviot Limited

Registered in England and Wales No. 01923571

CONTENTS

	Page
Company information	1
Strategic report	2
Directors’ report	9
Statement of directors’ responsibilities in respect of the financial statements	13
Independent auditors’ report to the members of Quilter Cheviot Limited	14
Statement of comprehensive income	17
Statement of changes in equity	18
Statement of financial position	19
Notes to the financial statements	20

COMPANY INFORMATION

Directors	P P Barnacle I M Buckley M Kilcoyne (appointed 1 February 2023) A I McGlone P G Tew
Secretary	Quilter CoSec Services Limited
Independent auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Registered office	Senator House 85 Queen Victoria Street London United Kingdom EC4V 4AB Telephone: +44 (0)20 7150 4000 Website: www.quiltercheviot.com Registered number: 01923571

STRATEGIC REPORT

The Directors present their strategic report for Quilter Cheviot Limited (the "Company") for the year ended 31 December 2023.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The Company is registered in England and Wales and provides investment management services to private clients, charities, companies and institutions in the United Kingdom ("**UK**") through a network of offices in London and the regions. The Company also operates from a Dubai International Financial Centre ("**DIFC**") branch in the United Arab Emirates.

The Company is authorised and regulated by the Financial Conduct Authority ("**FCA**") and the Financial Sector Conduct Authority in South Africa. The Company's DIFC branch is regulated by the Dubai Financial Services Authority.

The Company grows its business both organically, by developing new client relationships direct with private clients and charities, and through a network of relationships with professional intermediaries such as financial advisers, lawyers and accountants, and through acquisitions.

During the year, the Company transferred Jersey branch assets to its Jersey subsidiary, Quilter Cheviot International Limited (**"QCIL"**) to help provide better delineation between Quilter Cheviot Group's onshore and offshore businesses.
As such, the Company revoked its Investment Business (**"IB"**) license in Jersey during the year.
Otherwise, there have not been any significant changes in the Company's principal activity in the year under review and no significant change in the Company's principal activity is expected.

The Company is part of the Quilter plc Group (the "**Group**" or "**Quilter**"). Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the Company with strategic and governance oversight. The Company forms part of the High Net Worth segment.

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 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 its stakeholders.

Quilter Cheviot Limited performance

The profit for the year, after tax, was £85,923k (2022: £38,838k). The increase is primarily due to gains relating to the transfer of Jersey branch assets to the Company's Jersey subsidiary, QCIL on 10th July 2023.

Income

Total net income, excluding net interest, for the year was £161,531k (2022: £177,558k) a 9% decrease on the previous year. The decreased fee income is primarily a result of lower Assets under Management and Administration ("**AuMA**") year on year following the transfer of Jersey branch assets to QCIL.

Offsetting the decrease in fee income is a rise in interest income to £16,889k (2022: £9,232k), an 83% increase. Interest is received on firm bank accounts, money market funds, intercompany loans and client money. The increase is due to increases in interest rates over the period, and a 25bp increase on the margin retained on client money interest.

STRATEGIC REPORT (continued)

Expenses
Administration expenses for the year were £136,359k (2022: £139,124k), a 2% decrease on the previous year driven primarily by lower regulatory fees and higher VAT recovery.

Financial position
Net assets of £202,623k at 31 December 2023 were £58,212k (40.3%) higher than at 31 December 2022. The increase has primarily resulted from profits of £85,923k for the year, increased share capital of £60,000k, offset by dividends of £96,940k paid to Quilter Cheviot Holdings Limited ("**QCHL**").

KEY PERFORMANCE INDICATORS ("KPIs")
The table below shows the key performance indicators the Company uses to manage its business performance. The Company assesses its financial performance using a variety of alternative performance measures (**"APM"**). Further details of the APMs used by the Company are detailed below.

APM	Definition
Adjusted profit before tax	Represents the adjusted profit before tax of the Company. It adjusts profit for key non-recurring, non-core or distorting items and, the nature and quantum of these is shown in table B. Due to the nature of the Company's business, we believe that adjusted profit is an appropriate basis by which to assess the Company's underlying operating results and it enhances comparability and understanding of the financial performance of the Company.
Assets under management	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.

Assets under management ("**AUM**") as at 31 December 2023 was £24.0 billion. The majority of these assets are managed under discretionary agreements with clients, however execution only and investment advisory services are also provided.

	2023 **£m**	**2022** **£m**
Net client cash flow ("**NCCF**")	(149)	806
Closing AUM	24,030	24,541
Average AUM	24,035	25,196

The table below shows the KPI's the Company uses to manage business performance. The internal measure of profit is adjusted profit ("**AP**").

STRATEGIC REPORT (continued)

Table A: KPIs	2023 £'000	2022 £'000
AP before tax	46,131	49,557
IFRS profit after tax	85,923	38,838

Table B: Reconciliation between AP before tax and profit after tax	2023 £'000	2022 £'000
AP before tax	46,131	49,557
Projects	(2,646)	(467)
Gains on business transfer	53,940	-
Acquisition accounting	(1,424)	(1,424)
Profit before tax for the financial year	96,001	47,666
Taxation	(10,078)	(8,828)
Profit after tax for the financial year	**85,923**	**38,838**

- Gain on business transfer, relates to the gain recognised on the transfer of Jersey branch assets to a subsidiary company, QCIL) on 10th July 2023 for cash consideration.
- Projects relates to spend on transformational strategic initiatives relating to digitalisation, business efficiency, cost reduction and proposition enhancement.
- Acquisition accounting relates to the amortisation of the customer relationships asset, unwinding of the discounting on the deferred consideration and write-off of the remaining acquisition liability on the acquisition of Violet No.2 Limited (formerly Attivo Investment Management Limited) ("**AIM**").

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy 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, as detailed in Note 24. The key risks affecting the Company are below:

Business strategy and performance
The Company's principal revenue streams are related to the value of assets under management and administration and as such the Company is exposed to the condition of global economic markets. Geopolitical risk remains high due to ongoing conflicts in Ukraine and the Middle East. Throughout 2023, external economic conditions have remained challenging and this has impacted flows, AuMA and revenues. The Company has continued on its transformation journey during 2023 through strategic initiatives relating to business efficiency, cost reduction and proposition enhancement. The Company's focus is to maintain pace of strategic delivery and agility in order to continue to provide a compelling proposition in a rapidly changing industry.

Business operations
Operational complexity and the efficacy of controls and processes related to the day-to-day running of the business pose an inherent risk to the Company. This includes those processes which have been outsourced to third parties and where oversight is critical for the Company to gain assurance over activities delegated outside of its direct control. The Company's operations provide services to customers and as such need to be effective and resilient to ensure that good customer outcomes are delivered and maintained. The Company has continued to work towards simplifying its operational environment, where team synergies are being harnessed to support a reduction in duplication, inconsistency and complexity.

STRATEGIC REPORT (continued)

Technology and security
A stable, reliable and up-to-date technology environment underpins the delivery of our services to customers and advisers and ensures that the Company has technical resilience proportionate to its risk appetite. Disruption to the stability and availability of the Company's technology, or that of its third parties, could result in damaging service outages and a potential breach of impact tolerances for Quilter's Important Business Services. The risk of an information security incident is a constant and evolving risk which has the potential to impact the Company's reputation, regulatory standing, and the services it provides to customers.

Customer and product proposition
The Company's purpose is underpinned by having a suite of product propositions which drive good customer outcomes and processes in place to ensure that foreseeable harm is identified and addressed.

Regulatory, tax and legal
The Company is subject to conduct and prudential regulation in the UK, provided by the FCA and the Financial Sector Conduct Authority in South Africa. The Company's DIFC branch is regulated by the Dubai Financial Services Authority. In the UK, this includes the Consumer Duty, which sets a higher standard of consumer protection in financial services. The Company is also subject to the privacy regulations enforced by the Information Commissioners Office and international equivalents. The Company faces risks associated with compliance with these regulations, and changes to regulation or regulatory focus in the markets in which the Company operates and other statutory requirements. Failure to manage regulatory, tax or legal compliance effectively could result in censure, fines or prohibitions which could impact business performance and reputation.

People
The Company is reliant on its talent to deliver its service to customers and to drive strategic enhancements. Failure to attract and retain talented and diverse staff can result in impacts to the Company's strategy and business growth. A competitive labour market and a high inflation environment has resulted in a challenging environment for staff retention during 2023.

Emerging risk
Quilter is a long-term business and as such we monitor risks which are less certain in terms of timescales and impact. The emerging risk profile is subject to regular review by management committees and the Board. The identification of these risks contributes to our stress and scenario testing which feeds into our strategic planning process and informs our capital calculations. The following are the emerging risks we feel are the most significant:

Geopolitical Landscape
The UK General Election is likely to be held during 2024. Whilst party policies have not yet been defined nor an election date agreed, we recognise that any change in UK Government is likely to have some impact on customers' circumstances and may therefore affect attitudes toward financial investments.

Shifts in the global political landscape are also expected in the near term. While the Ukraine crisis and conflict in the Middle East continue, the global economic impacts may be increased by elections in the US and Ukraine.

Cyber threats
There is increased malicious cyber activity in conflict zones and around upcoming elections. The rapid growth of artificial intelligence is likely to increase the nature and sophistication of attacks.

STRATEGIC REPORT (continued)

Disruptive competition and technology
The potential entrance of "big tech" firms into financial service delivery, coupled with the white labelling of platforms and the alignment of private equity firms could see competitors acquire skills and technology, accelerating their digital capabilities. This, alongside advancements in Digital/Hybrid Advice could see new players in the already highly competitive market, having the potential to erode Quilter's market share and increase fee pressure across the value chain.

Generational shifts
A significant proportion of UK household wealth is held by the over-45s. The likelihood of intergenerational inequality increases as this population engages in inheritance planning and institutions (employers, the State and financial service providers) transfer pensions risk to individuals. Attitudes towards wealth management are shifting with younger generations being increasingly attracted by digital propositions and by funds with greater positive social and environmental impacts. These trends present both opportunities and threats to Quilter in the form of changing consumer demands and expectations.

Advice Evolution
Increased demand from younger generations for digital propositions and digital/hybrid advice, and the potential increase in advice accessibility as a result of the FCA consultation on Advice Guidance Boundary, presents opportunities and threats for the advice market as consumers demand more advice at lower cost. Adviser consolidation is likely to continue given consumer duty and the ageing demographic of financial advisers, provided the macroeconomic landscape is relatively stable.

Climate change
To avoid a climate catastrophe, global emissions must reach net-zero by 2050. The speed of this transition to a greener economy impacts certain sectors and financial stability. For Quilter's customers, this is likely to impact the desirability of investment in sectors such as coal, oil, gas and manufacturing. Opportunities exist in the shift to a greener economy. Physical climate risks continue to crystallise and are expected to become more extreme and more frequent in future, threatening the stability of the UK's infrastructure. This poses challenges to both Quilter's and its critical third parties' operations which must be considered as part of operational resilience planning.

SECTION 172 (1) STATEMENT

The Company is a wholly-owned subsidiary of Quilter plc and therefore complies with the 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 2023 Annual Report.

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 2023 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, employees, suppliers, and regulators.

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT (continued)
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.

The Board of the Company is responsible for the overall oversight of the Quilter Cheviot business, which comprises Quilter Cheviot Holdings Limited and its subsidiaries (the "**Quilter Cheviot Group**"). In discharging this role, the Board 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 Quilter Group's strategic priorities.

The Board, and where appropriate its Governance, Audit and Risk Committee ("**GARC**"), considers and discusses information from across the organisation to help it understand the impact of the Quilter Cheviot Group operations, and the interests and views of its key stakeholders. It 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 GARC meeting, and through in-person presentations. Some examples of how the directors have considered the Company's key stakeholders in 2023 are set out below.

An important activity of the Board in 2023 was overseeing the transfer of the Company's Jersey branch business to Quilter Cheviot International Limited ("**QCIL**"). The Board recognised that an enhanced structure would provide better delineation between Quilter Cheviot Group's onshore and offshore businesses, having transferred Irish & EU resident client's custody assets to Quilter Cheviot Europe Limited in 2022, and would result in greater clarity for clients, whilst also ensuring that the business could effectively meet its regulatory requirements. The Board has also spent time overseeing the continued integration of Quilter Private Client Advisers, rebranded in November 2023 to Quilter Cheviot Financial Planning ("**QCFP**"), into the Quilter Cheviot Group, which was a key step in executing Quilter's strategy to organise its business around its two core client focused segments, with Quilter Cheviot and QCFP forming the High Net Worth segment. Bringing these two businesses together ensures alignment between the advice and investment processes, aiming to enhance the experience of clients.

The Board is committed to ensuring good client outcomes and regularly reviews investment performance, and challenges investment strategy, to provide assurance that the Company is delivering strong returns for its clients. The GARC dedicated time each quarter to scrutinising areas that are critical in protecting our clients' interests, including assurance on the robustness of the controls over client assets and suitability. During the year, the Board has overseen the implementation of the regulator's Consumer Duty which came into effect on 31 July 2023. The implementation of this new duty aligns with a core part of the Company's strategic rationale to deliver good outcomes for clients. The Board, and the GARC, will continue to oversee management's continued focus to deliver these outcomes and maintain compliance with the duty.

The Board received regular updates on regulatory developments in 2023, including a number of Dear CEO letters. The GARC has also spent time reviewing the regulatory horizon and the action being taken to ensure the Company is, and will continue to, meet regulatory expectations.

Colleague engagement and wellbeing have been key considerations throughout the year. The Board recognises the importance of attracting and retaining talented people in a highly competitive job market, particularly in light of the ongoing cost of living challenges. Directors received quarterly updates from the Head of Human Resources, closely monitored the colleague survey scores, and sought views and feedback from management to contextualise the data. The Board continues to spend time understanding how management are driving forward our diversity and inclusion agenda and this remains an area of focus going forward. The Board monitored the continued integration of QCFP colleagues into the wider Quilter Cheviot Group, observing their appetite and support for the direction of travel of QCFP.

STRATEGIC REPORT (continued)

Maintaining an open and transparent relationship with our regulators is a key priority and the Board and the GARC receive regular reporting on key regulatory engagement, and the Chief Risk Officer, as a standing attendee of each meeting, provides further updates as needed.

The importance of our suppliers is acknowledged by the Board and supplier relationships are managed and maintained in line with Quilter Group policy. Please refer to the Quilter plc 2023 Annual Report for further information on how we foster relationships with our suppliers.

Approved by the Board and signed on its behalf by

P P Barnacle
Director
6 March 2024

DIRECTORS REPORT

The Directors present their Annual report and audited financial statements for the Company for the year ended 31 December 2023.

The review of the business, including future outlook and principal risks and uncertainties are set out in the strategic report.

FUTURE DEVELOPMENTS

The Directors expect there to be no significant change in the Company's principal activity.

DIRECTORS

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

P P Barnacle
I M Buckley
M Kilcoyne (appointed 1 February 2023)
A I McGlone
P G Tew

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

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 financial year ended 31 December 2023 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.

DIVIDENDS

During the year dividends of £96,940k were paid to the holders of the ordinary shares (2022: £48,000k). The Directors do not propose a final dividend.

POLITICAL DONATIONS

No political donations were made during the year (2022: £nil).

BUSINESS RELATIONSHIPS STATEMENT

The Company forms part of the Quilter 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, together with 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. The Code covers legal compliance, ethical standards, conflicts of interest, anti-bribery and corruption, brands, trademarks and intellectual property, information and data protection,

DIRECTORS' REPORT (continued)

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, 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 above and in the Quilter plc 2023 Annual Report, which does not form part of this report.

EMPLOYEES

Our people policies support our aim to create an inclusive culture that embraces diversity and enables our people to thrive. They also reflect relevant employment laws and principles, including the Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. All employees and suppliers providing on site services in the UK are paid no less than the real Living Wage, a voluntary initiative run by the Living Wage Foundation.

We promote equal opportunities and ensure that no job applicant or colleague is subject to discrimination or less favourable treatment on the grounds of age, gender reassignment, marital status, nationality, ethnicity, sex or sexual orientation, responsibilities for dependents, physical or mental disability or religion or belief. We are committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Quilter. We select candidates for interview, career development and promotion based on their skills, qualifications, experience and potential.

A grievance procedure is in place to provide a clear and secure route for employees to raise a complaint or problem about any issue relating to their work, working environment, pay and benefits, working hours or is concerned about any other issue affecting their employment. In line with our whistleblowing policy, colleagues are required to report knowledge or suspicion of malpractice or actions that endanger Quilter's employees or assets. The whistleblowing policy provides employees who raise concerns in good faith with protection from detriment to their future employment opportunities. Concerns can be reported to line managers, HR, Risk and Compliance or via the independent confidential ethics hotline which is available year round.

The Company seeks the views of colleagues through the Workday Peakon Employee Voice tool. Through this tool we survey colleagues on a regular basis, which provides senior leaders and managers real-time insights and feedback from colleagues. The Employee Forum represents colleagues across Quilter and meets with senior leaders on a monthly basis to discuss key issues that impact the interests of our people. The views of the Employee Forum, together with views and feedback from the regular surveys, are taken into account and support management decision making.

As part of the Group governance framework, the Company relies upon Group practices and processes to support employees. Further details are described in full in the Quilter plc 2023 Annual Report.

CLIMATE CHANGE

Quilter considers the climate-related risks and opportunities for its operations and investments and reports on these annually. The framework is aligned with the Task Force on Climate-related Financial Disclosures ("TCFD") disclosure requirements. Further details can be found online at: plc.quilter.com/responsible-business/reports-and-statements. Quilter has set operational carbon emissions targets, and these are part of the Executive Directors' Long-Term Incentive Plan. In our role as an investor, we continually work to embed climate considerations in our investment management and stewardship activity and offer clients climate focused investment solutions.

DIRECTORS' REPORT (continued)

STREAMLINED ENERGY AND CARBON REPORTING

The Group is committed to managing its environmental impact and discloses annually to CDP (formerly known as 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 regard the impact on the environment is contained within the Quilter plc 2023 Annual Report. The Company is exempt from reporting company-specific information as it is a subsidiary of Quilter plc.

INVESTING RESPONSIBLY

Within our investment management businesses, we embed Environmental, Social and Governance factors within our investment process and Quilter is a signatory of the UK Stewardship code and the UN-backed Principles for Responsible Investment ("PRI"). Within our advice and suitability processes we enable our clients to invest in accordance with their responsible investment preference.

STATEMENT OF 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 2023 financial statements.

A wider assessment was carried out at a Quilter 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.

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.

BRANCHES

During the year, the Company had branches in Jersey and the Dubai International Financial Centre. The Jersey branch closed following the transfer of Jersey branch assets to QCIL on 10th July 2023.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the Company are disclosed in Note 24.

INDEPENDENT AUDITORS

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

DIRECTORS' REPORT (continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a director of the Company at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by

P Barnacle

P P Barnacle
Director
6 March 2024

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 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 Cheviot Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 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 2023; 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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and 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 principles, such as those governed by the Financial Conduct Authority ("FCA"), 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 non-standard or unusual journal entries to either inflate revenue or reduce expenditure of the company, and management bias in accounting estimates and judgemental areas of the financial statements, such as impairment assessments. Audit procedures performed by the engagement team included:

- Discussions with the Governance, Audit and Risk Committee, internal audit, management involved in the risk, compliance and legal functions, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of the board of directors, as well as those from the Quilter Cheviot Governance, Audit and Risk Committee;
- Reviewing correspondence with the FCA and HMRC in relation to compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, such as non-standard and unusual journals to revenue which may be indicative of the overstatement or manipulation of revenue and unusual expenditure journals which could lead to an inappropriate reduction in expenditure;
- Challenging assumptions and judgements made by management in their critical accounting estimates, where appropriate;

- Assessment of matters reported on the Quilter group's whistleblowing register including the quality and results of management's investigation of such matters; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.

Sarah Chandler

Sarah Chandler (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2024

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Income			
Fee income and other income from service activities	5	156,842	173,616
Interest income	5	16,889	9,232
Other returns	5	(15)	315
Other Income	5	4,704	3,627
Total Income		178,420	186,790
Expenses			
Other operating and administrative expenses	6	(136,296)	(139,044)
Finance costs	6	(63)	(80)
Total Expenses		(136,359)	(139,124)
Other gains		53,940	-
PROFIT BEFORE INCOME TAX		96,001	47,666
Income tax expense	7	(10,078)	(8,828)
PROFIT FOR THE FINANCIAL YEAR		85,923	38,838
TOTAL COMPREHENSIVE INCOME		85,923	38,838

All operations were continuing in the current and prior year.

‘Other gains’ relates to profit from the transfer of Jersey branch assets to QCIL for cash consideration.

The notes on pages 20 to 68 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

2023	**£'000** **Share Capital**	**£'000** **Special reserve**	**£'000** **Share base payments reserve**	**£'000** **Currency translation reserve**	**£'000** **Retained earnings**	**£'000** **Total equity**
Balance at 1 January 2023	76,391	280	18,448	-	49,292	144,411
Profit for the year	-	-	-	-	85,923	85,923
Total comprehensive income	**-**	**-**	**-**	**-**	**85,923**	**85,923**
Transactions with owners:						
- Dividends to equity holders of the Company	-	-	-	-	(96,940)	(96,940)
- Issue of share capital	60,000	-	-	-	-	60,000
- Income tax relating to equity settled deferred compensation	-	-	304	-	-	304
- Share based payment expense	-	-	8,925	-	-	8,925
- Transfer to retained earnings	-	-	(9,180)	-	9,180	-
Balance at 31 December 2023	136,391	280	18,497	-	47,455	202,623

2022						
Balance at 1 January 2022	76,391	280	18,348	(537)	48,448	142,930
Profit for the year	-	-	-	-	38,838	38,838
Other comprehensive expense:						
Total comprehensive income	**-**	**-**	**-**	**-**	**38,838**	**38,838**
Transactions with owners:						
- Dividends to equity holders of the Company	-	-	-	-	(48,000)	(48,000)
- Issue of share capital	-	-	-	-	-	-
- Income tax relating to equity settled deferred compensation	-	-	(425)	-	179	(246)
- Share based payment expense	-	-	10,889	-	-	10,889
- Transfer to retained earnings	-	-	(10,364)	537	9,827	-
Balance at 31 December 2022	76,391	280	18,448	-	49,292	144,411

The notes on pages 20 to 68 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 £'000	2022 £'000
ASSETS			
Intangible assets	8	355	1,779
Property, plant and equipment	9	2,944	4,260
Investment in subsidiaries	10	89,785	29,345
Loans and advances	11	25,000	38,000
Accrued income	13	40,396	40,378
Prepayments	13	1,745	1,596
Deferred tax assets	18	5,174	4,348
Current tax		180	-
Other receivables	13	17,549	20,015
Trade receivables	13	26,691	23,794
Cash and cash equivalents	14	74,260	58,006
TOTAL ASSETS		**284,079**	**221,521**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	136,391	76,391
Special reserve	15	280	280
Share based payments reserve	16	18,497	18,448
Retained earnings		47,455	49,292
TOTAL EQUITY		202,623	144,411
LIABILITIES			
Accruals	20	23,983	22,221
Lease liabilities	19	1,812	3,488
Deferred tax liabilities	18	89	424
Current tax liability		19,325	15,846
Provisions	17	2,068	2,898
Other payables	21	10,073	9,796
Trade payables		24,106	22,437
TOTAL LIABILITIES		81,456	77,110
TOTAL EQUITY AND LIABILITIES		**284,079**	**221,521**

The financial statements on pages 17 to 19 were authorised and approved by the Board of Directors on 6 March 2024 and signed on its behalf by:

P P Barnacle
Director

Company registered number: 01923571

The notes on pages 20 to 68 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

1 GENERAL INFORMATION

Quilter Cheviot Limited ("the Company") is a private limited company limited by shares incorporated in England and Wales and domiciled in the UK. The principal activities of the Company are disclosed in the strategic report on page 2.

The address of its registered office is disclosed in the Company information section on 1.

2 BASIS OF PREPARATION

The financial statements of the Company for the year ended 31 December 2023 have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law) (**“FRS 101”**). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. For the purposes of the regulation the Company has been judged to be a financial institution.

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 Note 3.

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;
- paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
- paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- 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
- 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.

These financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in thousands and pounds sterling, which is the currency of the primary economic environment in which the Company operates.

2 BASIS OF PREPARATION (continued)

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

Pillar II Disclosures
The Company has applied the narrow scope amendment to IAS12 in respect of the OECD Pillar II international tax rules issued in the current period. In doing so, the Company has applied the exception in IAS12.4A and shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar II income taxes.

There are no other amendments to accounting standards, or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are effective for the year ended 31 December 2023 that have a material impact on the Company's financial statements.

The going concern assumption
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 2023 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.

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.

Basis of consolidation
The Company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements.

These financial statements are standalone 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 standalone financial statements.

3 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. The Governance, Audit and Risk Committee reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of investment in subsidiaries

The Company's assessment of investment in subsidiaries for impairment uses the latest cash flow forecasts from the Company's three-year business plan. These forecasts include estimates relating to equity market levels and growth in Assets under Management ("**AuMA**") in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates. Management do not believe that the use of these estimates have a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

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 administration, which are subject to a large number of factors including worldwide stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Company assesses recoverability based on estimated taxable profits over a 5 year horizon.

4 SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described below. There have been no changes to the Company's significant accounting policies as a result of changes in accounting standards during the year.

Fee income and other income from service activities

Fee income and other income from service activities represent the fair value of services provided, net of value added tax. Revenue is only recognised to the extent that management is satisfied that it is highly probable that no significant reversal of the revenue recognised will be required when uncertainties are resolved.

Fixed fees

This is periodic fee income which is fixed in value according to underlying contract terms and relates to the provision of services and transactional dealing fees. It is recognised on provision of the transaction or service.

Interest income

Interest income represents total interest income for financial assets and financial liabilities that are not carried at fair value. Interest is received on firm bank accounts, money market funds, intercompany loans and client money. In respect of client money the interest income represents the difference between total interest received and interest paid across to clients.

Other Income

Other income represents amounts recharged to other Group undertakings during the year.

Operating and administrative Expenses

Operating and administrative expenses represents running costs of the business and a proportion of overheads cross charged from the head office company Quilter Business services.

<u>Financial instruments (other than derivatives)</u>

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and certain financial liabilities, trade 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (other than derivatives) (continued)
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 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**").

Initial measurement
A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent 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 of financial assets are applicable within 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 as 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 the majority 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 12.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and unless recognised as FVTPL on initial recognition applying the Fair Value Option (see below):

- 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 for 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.

All other financial assets that are not measured at amortised cost are classified and measured at FVTPL.

Loans and advances

Loans with fixed maturities are recognised when cash is advanced to borrowers. Other loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

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 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. Other financial liabilities, including the Company’s borrowings and trade payables, are measured at amortised cost using the effective interest method.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade payables and receivables

Trade payables and receivables are classified at amortised cost. Due to their short-term nature, their carrying amount is considered to be the same as their 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 any 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 are recognised in the parent company statement of comprehensive income as they occur.

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 trade receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value), fixed term deposits and loans and advances.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Application of the impairment model

The Company applies the ECL model to all financial assets that are measured at amortised cost:

- Trade 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.
- Loans, cash and cash equivalents, and fixed term deposits 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 probability-weighted estimates 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.

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 and debt securities 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.

Fair value hierarchy methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of fair value hierarchy (see below), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market exit prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs:

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date all suspended assets are assessed for impairment; and
- where the assets are private company shares the valuation is based on the latest available set of audited financial statements where available, or if more recent, a statement of valuation provided by the private company's management.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. Where assets are valued by the Company, the general principles applied to those instruments measured at fair value are outlined below:

Loans and advances

Loans and advances are solely comprised of intercompany loans. All loans are stated at their amortised cost.

Borrowings and lease liabilities

Under IFRS 16, the Company assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess where a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

For lessee contracts, the right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability, adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred. Adjustments are also made, where appropriate, to recognise provisions for property restoration costs and lease incentives received such as rent-free periods. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the asset-specific incremental borrowing rates.

Subsequent to lease commencement, the Company measures the right-of-use asset using a cost model, whereby the asset is held at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged to the income statement on a straight-line basis to write down the cost of the right-of-use asset to its residual value over its estimated useful life which is dependent on the length of the lease. In addition, the carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability. The lease liability is subsequently measured at amortised cost using the effective interest method and also reflects any lease modifications or reassessments.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings and lease liabilities (continued)

The Company presents its right-of-use assets within “Property, plant and equipment” and lease liabilities within “Borrowings and lease liabilities” in the statement of financial position.

The Company currently has material lease commitments of varying durations for the rental of a number of office buildings.

The Company’s future lease cash outflows are not materially exposed to variable lease payments, low value or short-term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions.

Fair value hierarchy

Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets	Listed equity securities, government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, policyholder loans (where they form part of a policyholder’s unit-linked policy) and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 - valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Over-the-counter (“**OTC**”) derivatives, certain privately placed debt instruments which meet the definition of Level 2 financial instruments.
Level 3 - valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability’s carrying amount is driven by unobservable inputs.

In this context, ‘unobservable’ means that there is little or no current market data available for which to determine the price at which an arm’s length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value hierarchy (continued)

When allocating investments within consolidated investment funds to the fair value hierarchy, the Group has adopted a simplified approach whereby investments (outside of those identified as Level 3) in listed equities and securities are allocated to fair value Level 1, and investments in unlisted equity and debt securities are allocated to Level 2, to align to the classifications set out in the table above.

Employee benefits

Pension obligations

The Company operates three pension plans which have been established for eligible employees of the Company:

- Defined contribution schemes where the Company makes contributions to members' pension plans but has no further payment obligations once the contributions have been paid.
- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. The Company has funded these liabilities by ring-fencing assets in trustee-administered funds.

Defined contribution pension obligation

Under a defined contribution plan, the Company's legal or constructive obligation is limited to the amount it agrees to contribute to a pension fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions in respect of defined contribution schemes for current service are expensed in the statement of comprehensive income as staff costs and other employee-related costs when incurred.

Defined benefit pension obligation

A defined benefit pension plan typically defines the amount of pension benefit that an employee will receive on retirement. For these plans, the Company's defined benefit obligation is calculated by independent actuaries using the projected unit credit method, which measures the pension obligation as the present value of estimated future cash outflows. The discount rate used is determined based on the yields for investment grade corporate bonds that have maturity dates approximating to the terms of the Company's obligations. Plan assets are measured at their fair value at the reporting date. The net surplus or deficit of the defined benefit plan is recognised as an asset or liability in the statement of financial position and represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

An asset is recognised only where there is an unconditional right to future benefits.

The current and past service cost curtailments and settlements are charged to other expenses in the statement of comprehensive income. Remeasurements which comprise gains and losses as a result of experience adjustments and changes in actuarial assumptions, the actual return on plan assets (excluding interest) and the effect of the asset ceiling are recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods. Administration costs (other than the costs of managing plan assets) are recognised in the statement of comprehensive income when the service is provided.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the statement of comprehensive income when the plan amendment or curtailment occurs.

4 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's ultimate parent company, Quilter plc (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 statement of comprehensive income 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.

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. 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. In certain circumstances, as permitted by accounting standards, 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 18 includes further detail of circumstances in which the Company does not recognise temporary differences.

Intangible assets

Intangible assets include intangible assets initially recognised as part of a business combination, purchased assets and internally generated assets, such as software development costs related to amounts recognised for in-house systems development.

Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination are recognised where they are separately identifiable and can be measured reliably. Acquired intangible assets consist primarily of contractual relationships such as customer relationships and distribution channels. Such items are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition. Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition, acquired intangible assets are measured at cost less amortisation and any recognised impairment losses. Amortisation is recognised at rates calculated to write off the cost or valuation less estimated residual value, using a straight-line method over their estimated useful lives as set out below:

- Customer relationships 7-10 years

The economic lives are determined by considering relevant factors such as usage of the asset, product life cycles, potential obsolescence, competitive position and stability of the industry. The amortisation period is re-evaluated at the end of each financial year end.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Internally developed software

There are a number of factors taken into account when considering whether internally developed software meets the recognition criteria in IAS 38 Intangible Assets. Where, for example, a third-party provider retains ownership of the software, this will not meet the control criterion in the standard (i.e. the power to obtain benefits from the asset) and the costs will be expensed as incurred.

Where it is capitalised, internally developed software is held at cost less accumulated amortisation and impairment losses. Such software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Company and its cost can be measured reliably.

Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting standards, the main one being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between three and five years, depending on the nature and use of the software.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Impairment testing for intangible assets

For intangible assets with finite lives, impairment charges are recognised where evidence of impairment is observed. Indicators of impairment can be based on external factors, such as significant adverse changes to the asset as part of the overall business environment and internal factors, such as worse than expected performance reflected in the Company's three-year Business Plan. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an intangible asset is not yet available for use it is subject to an annual impairment test by comparing the carrying value with the recoverable amount. The recoverable amount is estimated by considering the ability of the asset to generate sufficient future economic benefits to recover the carrying value.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Company recognises specific provisions where they arise for the situations outlined below:

- Client compensation and related costs, when the Company compensates clients in the context of providing fair customer outcomes.
- Provisions and contingent liabilities (continued)
- Onerous contracts, when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Corporate restructuring, only if the Company has approved a detailed formal plan and raised a valid expectation among those parties directly affected, that the plan will be carried out either by having commenced implementation or by publicly announcing the plan's main features. Such provisions include the direct expenditure arising from the restructuring, such as employee termination payments but not those costs associated with the ongoing activities of the Company
- Legal uncertainties and the settlement of other claims

Contingent liabilities are possible obligations of the Company of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the statement of financial position, unless they are assumed by the Company as part of a business combination. They are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability.

Contingent assets, which are possible benefits to the Company, are only disclosed if it is probable that the Company will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the statement of financial position as an asset.

5 INCOME

Revenue is derived from continuing operations in the United Kingdom and Jersey. Revenue from Jersey was recognised up until 10th July 2023, when the Jersey branch clients were transferred to QCIL.

	£'000 2023	£'000 2022
Investment management fees	150,976	164,597
Commission	5,866	9,019
Fee income and other income from service activities	156,842	173,616
Other returns	(15)	315
Interest income	15,718	8,572
Interest Income - Intercompany loan	1,171	660
Other Income	4,704	3,627
Total Income	**178,420**	**186,790**

'Interest income' represent total interest income for financial assets.

Interest is received on firm bank accounts, money market funds, intercompany loans and client money. In respect of client money the interest income represents the difference between total interest received and interest paid across to clients.

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed as 'Interest income' within the income statement.

No other gains or losses have been recognised in respect of financial liabilities measured at amortised cost other than as disclosed as 'Interest expense' within the income statement.

'Other income' represents amounts recharged to other Group undertakings during the year.

'Other returns' represents revaluations of currency balances held on the balance sheet as well as dividend income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

6 DETAILS OF EXPENSES

This note provides further details in respect of the item appearing in the expenses section of the income statement.

Operating Profit
Operating profit is stated after charging

	Note	£'000 2023	£'000 2022
Staff costs	6	82,161	82,562
Operating lease rentals		77	(7)
Depreciation on property, plant and equipment	9	402	496
Depreciation on right-of-use assets	9	811	999
Amortisation of intangible assets	8	1,424	1,424
Auditors' remuneration			
Audit of the Company's financial statements	6	138	132
Audit-related assurance services for the Company	6	326	228
Management charges from other Group undertakings relating to other services		30,381	30,629
Legal and professional		2,320	3,030
Premises costs		2,164	2,453
Electronic data & research		7,909	8,566
Processing & settlement		3,742	3,865
Other		4,441	4,667
Total other operating and administrative expenses		136,296	139,044

Staff costs and other employee-related costs		£'000 2023	£'000 2022
Total wages and salaries			
Wages and salaries		43,616	43,153
Bonus & Incentive costs		16,512	16,357
Share-based payments - Equity settled	16	8,999	10,889
Social security costs		8,701	7,741
Other pension costs	22	4,333	4,422
Total Staff costs		82,161	82,562

The average number of persons employed by the Company was:

	2023	2022
Investment managers	161	166
Support staff	441	449
	602	615

Support staff are those employees directly employed in investment management/provision of financial advice.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

6 DETAILS OF EXPENSES (continued)

The monthly average number of persons employed by the Company is based on permanent employees and fixed term contractors.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those 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.

	£'000 2023	£'000 2022
Aggregate Directors' emoluments		
Aggregate emoluments	1,082	862
Amounts received under long-term incentive schemes	363	343
Company contributions to pension schemes	19	13
	1,464	1,218
Emoluments of the highest paid Director		
Aggregate emoluments	601	464
Amounts received under long-term incentive schemes	272	263
Company contributions to pension schemes	9	4
	882	731

Two Directors received or were due to receive shares or share options under a long-term incentive scheme (2022: two).

Two Director exercised options during the year (2022: Two including the highest paid Director). The highest paid Director did exercise share options during the year.

During the year there was no compensation for loss of office paid to Directors (2022: £nil); this includes the estimated money value of the following benefits: payment in lieu of notice, loss of participation in the SAYE scheme, pay-out of contractual long term incentive, pension contributions, bonus and statutory redundancy.

Of the directors' emoluments shown above, £nil (2022: £nil) is included in management fees payable to Group undertakings shown in Note 6.

Auditor's remuneration:
Included in other operating and administrative expenses are fees paid to the Company's auditors. These can be categorised as follows:

	£'000 2023	£'000 2022
Audit fees:		
Audit of the Company's financial statements	138	132
Fees for other services:		
Audit-related assurance services for the Company	326	228

The Company also incurred costs of £13k (2022: £44k) for Audit services relating to QCHL.

6 DETAILS OF EXPENSES (continued)

Finance costs:

This note analyses the interest costs on our borrowings and similar charges, all of which are valued at amortised cost. Finance costs comprise:

	£'000 2023	£'000 2022
Interest expense on lease liabilities	63	80
Total finance costs	63	80

Finance costs represent the interest incurred on our right to use assets

7 TAX

Tax charged to the Income Statement

	£'000 2023	£'000 2022
Current tax expense		
UK corporation tax	10,401	8,161
Charge to equity	-	179
Charged to other comprehensive income statement	-	301
Adjustments in respect of prior years	287	(292)
Overseas current taxation	246	550
	10,934	8,899
Deferred tax expense		
Origination and reversal of temporary differences	(597)	639
Origination and reversal of temporary differences - OCI	-	(301)
Effect of changes in tax rates	(123)	(410)
Adjustment in respect of prior years	(136)	1
Total tax charged to income statement	10,078	8,828

Factors that may affect future charges

The Company has recognised deferred tax assets as disclosed in Note 18. The Company consider that the future profits will be sufficient to utilise the tax asset carried forward.

The main rate of corporation tax increased from 1 April 2023 from 19% to 25%. The blended rate of 23.5% has been used in calculating current tax for financial year 2023 (2022: 19%). The Company's deferred tax assets and liabilities have been recognised at 25%.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

7 TAX (continued)

Pillar II Taxes

On the 20 June 2023, The Finance (No.2) Act 2023 was substantively enacted in the UK, introducing the Pillar II minimum effective tax rate of 15%. The legislation implements a Multinational Top-up Tax ("MTT") and a Domestic Top-up Tax ("DTT"), effective for accounting periods starting on or after 31 December 2023. As these rules are not in effect in the current period, these rules have had no current tax impact in 2023. The Company has applied the exception under IAS12.4A and will neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar II income taxes.

The Company continues to assess the full impact of the introduction of Pillar II taxes in the UK. The rules are complex and there remains areas of uncertainty in HMRC guidance. Management has assessed the likely impact based on current guidance and historical data and although may expect the UK effective tax rate to be close to 15% in the near term there are scenarios where the rate may fall below the minimum rate. The Company is therefore currently unable to estimate with any reasonable level of certainty any future charge.

Reconciliation of effective tax rate

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

	£'000 2023	**£'000 2022**
Profit before income tax	96,001	47,666
Income tax using the standard rate of corporation tax in the UK of 23.5% (2022:19.00%)	22,560	9,057
Impact on tax of:		
Expenses not deductible for tax purposes	498	967
Adjustment in respect of prior years	287	(292)
Non-taxable income and gains	(12,676)	-
Overseas profits and losses taxed at lower rates	(332)	(495)
Deferred tax - change in tax rates	(123)	(410)
Deferred tax - prior year adjustment	(136)	1
Total income tax expense in the income statement	10,078	8,828

£12,093k of the 2023 'Non-taxable income and gains' relates to the transfer of Jersey client contracts to QCIL, which does not give rise to a tax charge.

8 INTANGIBLE ASSETS

Analysis of Intangible assets
The table below shows the movements in cost and amortisation of intangible assets.

	Customer relationships £'000	Total £'000
Cost		
At 1 January 2023	9,966	9,966
Acquisitions	-	-
Additions	-	-
Disposal	-	-
At 31 December 2023	9,966	9,966

	Customer relationships £'000	Total £'000
Accumulated amortisation		
At 1 January 2023	8,187	8,187
Amortisation	1,424	1,424
Disposal	-	-
At 31 December 2023	9,611	9,611
Carrying amounts		
At 31 December 2023	355	355
At 31 December 2022	1,779	1,779

Customer relationships assets have been amortised from 29 March 2017 (the effective date), when the AIM clients were transferred to the Company. The remaining amortisation period on the customer relationship asset is less than one year.

Impairment testing
In accordance with the requirements of IAS 36 Impairment of Assets, goodwill is tested for impairment annually, or earlier if an indicator of impairment exists, by comparing the carrying value of the Cash Generating Unit ("**CGU**") to which the goodwill relates to the recoverable value of that CGU, being the higher of that CGU's 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. Intangible asset impairment indicators include sudden stock market falls, the absence of Net Client Cash Flows ("NCCF"), significant falls in profits and an increase in the discount rate.

At 31 December 2023, the annual impairment assessment was performed, using the latest cash flow forecasts from the latest business plan relative to the customer asset. Upon assessment it has been determined that the Company does not need to impair the customer relationship assets.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

9 PROPERTY, PLANT AND EQUIPMENT

	Right of use assets £'000	Leasehold improvement £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2023	20,213	2,556	3,456	26,225
Additions	222	-	-	222
Reallocation of prior year asset cost	-	55	(55)	-
Disposals	(12,978)	(1,211)	(1,631)	(15,820)
At 31 December 2023	7,457	1,400	1,770	10,627
Accumulated depreciation				
At 1 January 2023	17,479	2,003	2,483	21,965
Charges for the year	811	187	215	1,213
Reallocation of prior year asset cost	-	-	-	-
Disposals	(12,775)	(1,094)	(1,626)	(15,495)
At 31 December 2023	5,515	1,096	1,072	7,683
Net book value				
At 31 December 2023	1,942	304	698	2,944
At 31 December 2022	2,734	553	973	4,260

The carrying value of right-of-use assets at 31 December 2023 relate to £1,942k of property leases (of 2022: £2,734k).

A change in policy in prior year means all new leases will be under the name of Quilter Business Services Limited. Aside from any lease extensions or amendments there will be no additions going forward.

10 INVESTMENTS IN SUBSIDIARIES

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

	2023	2022
	£'000	£'000
Cost and net book value		
At 1 January 2023	29,345	29,345
Additions	60,440	-
Disposals	-	-
At 31 December 2023	89,785	29,345

In 2023, the Company recognised an increase in investment in QCIL of £60,440k, in exchange for cash consideration. Further, the Company sold its investment of £9 in C.I.P.M. Nominees Limited and £12 in QGCI Nominees Limited to QCIL in July 2023.

No dividend income was recognised during the year (2022: £Nil).

Impairment to investment in subsidiaries
The investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investments 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.

Value in use
The VIU test has been calculated using 2023 plan figures for 2024-2026.
A terminal value is calculated using a market growth rate of 3% per plan, an expense inflation rate of 2% in-line with the long-term inflation target and a 10% present value discount rate in-line with Group's WACC.
The impairment reviews include a sensitivity analysis increasing the discount rate used in establishing the value-in-use. No impairment charge was found in the case of an increased discount rate.

Impairment test 2023
An impairment review on the Company's investment in QCIL and QCE was carried out and showed no indication of impairment.

Sensitivity analysis
Management have performed sensitivity tests to assess the impact of changes to underlying assumptions on the FV calculation and to stress the FV. These sensitivity tests indicate:

- A 3.69% increase in discount rate would be required for QCE's recoverable amount to equal its carrying amount, and a 0.42% increase would be required for QCIL.
- A 0.71% decrease in market growth rate would be required for QCE's recoverable amount to equal its carrying amount, and a 0.15% decrease would be required for QCIL.
- A 0.8% increase in inflation would be required for QCE's recoverable amount to equal its carrying amount, and a 0.2% increase would be required for QCIL.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

10 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Registered office	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights held	Nature of business
Quilter Cheviot Europe Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	Ordinary	100%	100%	Financial Services
C.I.P.M. Nominees Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100%*	100%*	Nominee
QGCI Nominees Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100%*	100%*	Nominee
Cheviot Capital (Nominees) Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Nominee
Quilter Nominees Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Nominee
Quilter Cheviot International Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100%	100%	Financial Services
Quilter Cheviot PCC Limited	1 Royal Plaza Royal Avenue St Peter Port GY1 2HL	Guernsey	Ordinary	100%*	100%*	Protected Cell Company
Quilpep Nominees Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Nominee
Violet No. 2 Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Dormant
Pembroke Quilter (Ireland) Nominees Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	Ordinary	100% *	100% *	Nominee

An * denotes shareholdings attributed to the Company which are held by a subsidiary company and not held directly by the Company.

11 LOANS AND ADVANCES

This note analyses the loans and advances the Company has made. The carrying amounts of loans and advances were as follows:

	£'000 2023	£'000 2022
'Other loans'	25,000	38,000
Total net loans and advances	25,000	38,000

Other loans represent a capital efficiency loan ("**Loan**") of £25,000k to the Company's intermediate parent company Quilter Holdings Limited ("**QHL**").

The loan is repayable on demand and interest is accrued on the outstanding balance of the Loan at the Bank of England base rate plus 50 basis points per annum. Interest is payable monthly in arrears. As at the end of 2023 the Company had earned £1,171k (2022: £660k) in interest from the Loan.

12 FAIR VALUE METHODOLOGY

Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The Company's financial assets and liabilities that are measured at fair value in the statement of financial position according to their IFRS 9 classification are cash and cash equivalents, specifically Money Market Funds of £30,000k (2022: £22,500k), which are classified as level 1 assets in the fair value hierarchy. There have been no significant changes during the year.

The table below presents a summary of the Company's financial assets and liabilities that are measured at fair value in the statement of financial position according to their IFRS 9 classification.

	2023		2022	
	£'000	**%**	£'000	%
Financial assets measured at fair value				
Level 1	30,000	100%	22,500	100%
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	30,000	100%	22,500	100%
Financial liabilities measured at fair value				
Level 1	-	-	-	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	-	-	-	-

The tables below further analyse the Company's financial assets and liabilities measured at fair value by the fair value hierarchy described in Note 4:

	£'000	**£'000**	**£'000**	**£'000**
31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mandatory (fair value through profit or loss)				
Cash and cash equivalents	30,000	-	-	30,000
Total assets measured at fair value	**30,000**	**-**	**-**	**30,000**
Financial liabilities measured at fair value				
Mandatory (fair value through profit or loss)	-	-	-	-
Total liabilities measured at fair value	**-**	**-**	**-**	**-**

	£'000	**£'000**	**£'000**	**£'000**
31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mandatory (fair value through profit or loss)				
Cash and cash equivalents	22,500	-	-	22,500
Total assets measured at fair value	**22,500**	**-**	**-**	**22,500**
Financial liabilities measured at fair value				
Mandatory (fair value through profit or loss)	-	-	-	-
Total liabilities measured at fair value	**-**	**-**	**-**	**-**

12 FAIR VALUE METHODOLOGY (continued)

Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Company are not carried at fair value. The carrying values of these are considered reasonable approximations of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Their classification within the fair value hierarchy would be as follows:

Trade, other receivables, and other assets	Level 3
Trade, other payables, and other liabilities	Level 3

Cash and cash equivalents (excluding money market funds) are held at amortised cost and therefore not carried at fair value. The cash and cash equivalents that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Fixed term deposits, which are included within Financial investments, are held at amortised cost and therefore not carried at fair value. The fixed term deposits that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Loans and advances are financial assets held at amortised cost and therefore not carried at fair value, The loans and advances that are held at amortised cost would be classified as Level 3 in the fair value hierarchy.

Borrowed funds are financial liabilities held at amortised cost and therefore not carried at fair value. Borrowed funds relate to subordinated liabilities and would be classified as Level 2 in the fair value hierarchy.

Lease liabilities valued under IFRS 16 are held at amortised cost and therefore not carried at fair value. They would be classified as Level 3 in the fair value hierarchy.

13 TRADE, OTHER RECEIVABLES AND OTHER ASSETS

This note analyses total trade, other receivables and other assets.

	2023 **£'000**	**2022** **£'000**
Amounts due from Group undertakings	17,199	19,582
Other receivables	350	433
Accrued income	40,396	40,378
Prepayments	1,745	1,596
Trade debtors	26,691	23,794
	86,381	85,783

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.

Accrued income relates to the management fee receivable which is paid quarterly in the month following the quarter end. Trade debtors is the gross position of market trades, this nets off with trade payables. Other receivables mainly relate to tax debtors and other debtors.

13 TRADE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

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. All other receivables are also current, short term and interest free and are carrying at fair value.

14 CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash at bank	44,260	35,494
Cash held in money market funds	30,000	22,500
Cash on hand	-	12
	74,260	58,006

Management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Company's day-to-day operations.

Cash held at bank and on deposit is held with A and B rated counterparties and is subject to the 12-month ECL model. Cash held in money market funds are held with AAA rated counterparties and are classified as financial investments designated at fair value through the profit or loss.

15 SHARE CAPITAL

The Company's ordinary share capital at the end of the year is as follows:

		£'000	£'000
Ordinary shares of £1 each - allotted and fully paid	Number of shares	Nominal value	Share capital
At 1 January 2022	76,390,715	76,391	76,391
Shares issued for cash consideration	-	-	-
At 31 December 2022	76,390,715	76,391	76,391
Shares issued for cash consideration	60,000,000	60,000	60,000
At 31 December 2023	136,390,715	136,391	136,391

60,000,000 (2022: nil) ordinary shares of £1 each were issued during the year to Quilter Cheviot Holdings Limited (**"QCHL").**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Reserves

Special reserve

On 16 July 1997, the High Court of Justice granted an order, effective from 17 July 1997, that the Company reduce its capital. The Order states that, if the Company receives from any subsidiary any distribution paid out of profits available for distribution prior to 1 January 1997, the whole of such dividend shall be credited to a separate reserve to be maintained in the books of the Company called the "Special Reserve". The Company received no dividends from subsidiary undertakings during 2023 relating to distributable profits prior to 1 January 1997 (2022: £nil).

Share based payments reserve

Share based payment schemes were granted to employees. An expense of £8,925k has been recognised in the income statement for the fair value of the share based payment schemes (2022: £10,889k), and credited to retained earnings.

Currency translation reserve

The 'Currency translation reserve' comprises all foreign exchange differences arising from the translation of the total assets less total liabilities of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

16 SHARE-BASED PAYMENTS RESERVE

During the year ended 31 December 2023, 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.

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	-	✓	-	-	✓	Typically 3	3	-
Quilter plc Share Incentive Plan	✓	-	-	-	✓	Typically 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.

Options

The weighted average share price at the dates of exercise for options exercised during the year was £1.53.

5,945,136 options outstanding at 31 December 2023 (2022: 4,694,191) have an exercise price of £nil for the Quilter plc Performance Share Plan, and between £0.69 and £1.31 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 2.9 years. At 31 December 2022, the exercise price was £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 2.1 years.

At 31 December 2023 18,812,273 (2022: 15,207,575) conditional share awards were outstanding.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

17 PROVISIONS

	Pension £'000	Property £'000	Other £'000	Total £'000
At 1 January 2023	711	2,067	120	2,898
Additional provisions	-	22	450	472
Provisions utilised	-	(785)	(170)	(955)
Unused amounts reversed	-	(347)	-	(347)
Reclassify from lease liabilities to provisions	-	-	-	-
At 31 December 2023	711	957	400	2,068

Property
Property provisions represent the value of expected future costs of excess office space (net of sublease income) and the value of expected future costs of reinstating leasehold improvements at the end of the lease term. Lease reinstatement provisions are released when the reinstatement obligations have been fulfilled.

Pension de-risking
The Quilter Cheviot Retirement Benefits Scheme was established in the 1960s. It was closed to new members in 1997, and closed to further pension accrual on 31 December 2014 when all active members became deferred members.

As part of a continued de-risking Investment strategy, the Trustees of the Scheme (with support from QCL) decided to perform a buy-in of the Scheme in 2019 and purchased a bulk annuity policy for the members with Aviva. The purchase of the policy covered all the remaining uninsured Scheme benefits, which removes the majority of risks (i.e. no further funding is expected from QCL) remaining in the scheme. As such, the pension asset and liability are equal for the purpose of the Quilter Group. A contribution of £6m was required from QCL to the Scheme to fund the difference between the scheme assets and the policy premium, which was paid in July 2019. Aviva had been undergoing a data cleansing exercise from Q3 2019, and although the buy-in was concluded in early 2023, a provision has been retained pending Aviva's confirmation that an earlier annuity matches the benefits payable.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

18 DEFERRED TAX ASSETS & LIABILITIES

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

Deferred tax summary

	£'000 **2023**	**£'000** **2022**
Deferred tax assets	5,174	4,348
Deferred tax liability	(89)	(424)
Net deferred tax asset	5,085	3,924

The main rate of corporation increased to 25% with effect from 1 April 2023. This rate has been used in recognising the Company's deferred tax assets and liabilities.

Deferred tax assets
A deferred tax asset or liability is recognised to the extent that there are other temporary differences expected to reverse in the foreseeable future. All deferred tax assets and liabilities have been recognised. Sensitivity analysis demonstrates headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the 5 year planning horizon. The impacts of a 20% decrease in group profitability have been assessed and do not give rise to concerns over recoverability.

The movement on recognised deferred tax assets is as follows:

	At beginning of the year £'000	Income statement £'000	Equity (charge)/ credit £'000	Credited to OCI £'000	At the end of the year £'000
31 December 2023					
Accelerated depreciation	1,031	1	-	-	1,032
Share-based payments	3,115	495	304	-	3,914
Other temporary differences	202	26	-		228
Deferred tax assets at 31 December 2023	4,348	522	304	-	5,174
31 December 2022					
Accelerated depreciation	1,012	19	-	-	1,031
Share-based payments	3,745	(204)	(426)	-	3,115
Other temporary differences	559	(56)	-	(301)	202
Deferred tax assets at 31 December 2022	5,316	(241)	(426)	(301)	4,348

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

18 DEFERRED TAX ASSETS & LIABILITIES (continued)

Deferred tax liabilities

The movement on recognised deferred tax liabilities is as follows:

	At beginning of the year £'000	Income statement £'000	At the end of the year £'000
31 December 2023			
Other acquired intangibles	424	(335)	89
Deferred tax assets at 31 December 2023	424	(335)	89
31 December 2022			
Other acquired intangibles	736	(312)	424
Deferred tax assets at 31 December 2022	736	(312)	424

19 BORROWINGS AND LEASE LIABITILIES

Lease liabilities

Lease liabilities represent the obligation to pay lease rentals as required by IFRS 16 and are categorised as financial liabilities at amortised cost.

Lease liabilities at lessee's incremental borrowing rate (1.2% - 7.87%)	**2023 £'000**	**2022 £'000**
Opening balance at 1 January	3,488	5,823
Additions	222	471
Disposal	(45)	-
Lease reassessment	-	(125)
Reclassify from lease liabilities to provisions	-	(85)
Finance interest charge for the year	63	80
Payment of lease liability	(1,914)	(2,676)
Foreign exchange	(2)	-
Lease liability at 31 December	1,812	3,488
Lease liability to be settled within 12 months	592	1,630
Lease liability to be settled after 12 months	1,220	1,858
Total discounted lease liability at 31 December	1,812	3,488

19 BORROWINGS AND LEASE LIABITILIES (continued)

Maturity analysis - contractual undiscounted cash flows

	2023 £'000	2022 £'000
Less than one year	646	1,696
One to five years	1,320	1,766
More than five years	74	155
Total undiscounted lease liability at 31 December	2,040	3,617

Additions in the year were new leases at existing location for the Dubai office. The disposal related to the exit of the Jersey lease, which was novated to QCIL, whilst Manchester and Kingsway properties were exited during the year following the end of their leases.

20 ACCRUALS

	Note	2023 £'000	2022 £'000
Bonuses		18,814	19,629
Other staff costs		176	171
Irrecoverable VAT		205	194
Pension de-risking		-	-
Market data		139	204
IT accruals		36	744
Other		4,613	1,279
Total accruals		23,983	22,221

Accruals related to operating expenses that have not been invoiced or charged through the P&L. The accruals are revised on a monthly basis.

The largest liability relates to expected bonus payments and the corresponding National Insurance liability.

21 TRADE OTHER PAYABLES AND OTHER LIABILITIES

	Note	2023 £'000	2022 £'000
Amounts due to other Group undertakings		160	226
Interest payable		1,035	779
Trade creditors		23,071	21,658
Other amounts payable		9,913	9,570
		34,179	32,233

21 TRADE OTHER PAYABLES AND OTHER LIABILITIES (continued)

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.

Interest payable represents the amount due to clients on interest received on client money bank accounts.

Amounts due to other Group undertakings are unsecured, interest free and repayable on demands.

Other payables mainly relate to trade payables, tax payables and other payables.

22 POST EMPLOYMENT BENEFITS

The Company operates a defined contribution and defined benefit pension schemes in the UK.

Defined contribution pension scheme

The Company's defined contribution scheme require contributions to be made to funds held in trust, separate from the assets of the Company. Participants receive either a monthly pension supplement to their salaries or contributions to personal pension plans. For the defined contribution scheme, the Company pays contributions to a separately administered pension scheme. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the income statement as staff costs and other employee-related costs when they are due.

Defined benefit plans

The Company also operates the Quilter Cheviot Limited Retirement Benefits Scheme (the "**UK Scheme**"), and the Quilter Cheviot Channel Islands Retirement Benefits Scheme, (the "**CI Scheme**"), which are both closed to new members and future benefit accrual, which provide pension benefits that are based on an actuarial valuation. The Company's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations.

Liability for defined benefit obligations

The IAS 19 value of the assets and the scheme obligations are as follows:

i. UK Scheme	**£'000 2023**	**£'000 2022**
Changes in retirement benefit obligations		
Total IAS 19 retirement benefit obligation at 1 January	23,228	38,668
Interest cost on benefit obligation	1,134	677
Effect of changes in actuarial assumptions	-	-
Effect of changes in demographic assumptions	(127)	(312)
Effect of changes in financial assumptions	696	(14,463)
Effect of experience adjustments	241	778
Benefits paid	(967)	(2,120)
Total IAS 19 retirement benefit obligation at year end	**24,205**	**23,228**
Changes in plan assets		
Total IAS 19 fair value of scheme assets at 1 January	23,228	38,668
Interest income	1,134	677
Return on planned assets	810	(13,997)
Company contributions	-	-
Benefits paid	(967)	(2,120)
Total IAS 19 fair value of scheme assets at year end	**24,205**	**23,228**
Net IAS 19 asset recognised in statement of financial position	**-**	**-**
Funded status of plan	**-**	**-**
Unrecognised assets	**-**	**-**
Net IAS 19 amount recognised in statement of financial position	**-**	**-**

Contributions for the year to the defined benefit schemes totalled £nil (2022: £nil), and £711k was accrued at 31 December 2023 (2022: £711k). The Company expects to contribute £711k in the next financial year, based upon the current funded status and the expected return assumption for the next financial year.

22 POST EMPLOYMENT BENEFITS (continued)

	2023 £'000	2022 £'000
Changes in the asset ceiling		
Opening unrecognised asset due to asset ceiling	-	-
Changes in asset ceiling	-	-
Closing unrecognised asset due to the asset ceiling	**-**	**-**

Income/expense recognised in the income statement

The total pension charge to staff costs for all of the Company's defined benefit schemes for the year ended 2023 was £nil (2022: £nil).

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 Employee Benefits paragraph 58 have been reported in other comprehensive income.

The Scheme members are fully insured by way of bulk annuities. As such The Scheme assets and liabilities match.

The weighted average duration of the defined benefit obligation is 12.5 years, based upon actual cash flows.

The following table represents the principal assumptions at the end of the reporting year:

	% **2023**	% 2022
Discount rate	4.8	5.0
Pensions-in-payment increase rate	3.6	3.6
RPI	3.0	3.1

The mortality assumptions used give the following life expectancy at 65:

		Life expectancy at 65 for male member currently		**Life expectancy at 65 for female member currently**	
		Aged 65	Aged 40	Aged 65	Aged 40
31 December 2023	**S3PA Light**	23.7	25.7	25.2	27.3
31 December 2022	S3PA Light	23.6	25.6	25.1	27.2

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and rate of mortality.

22 POST EMPLOYMENT BENEFITS (continued)

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are described below. Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

	£'000	£'000	£'000	£'000
	2023	**2023**	2022	2022
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(1,455)	1,615	(1,465)	1,499
Increase rate (0.1% movement)	149	(155)	182	(191)
Rate of mortality (increase in life expectancy of one year)	765	-	725	-

Scheme assets allocation

Scheme assets are stated at their fair values. Total scheme assets are comprised as follows:

	%	%	£'000	£'000
	2023	2022	**2023**	2022
Equity securities	0	0	-	-
Debt securities	99.9	99.7	24,042	23,157
Cash and other assets	0.1	0.3	163	71
Total IAS 19 Fair value of scheme assets	100	100	24,205	23,228

Cash and other assets have a quoted market price. Debt securities, which comprise the value of the bulk annuity policy, does not have a quoted market price. The bulk annuity policy, where assets are matched to the value of liabilities, is included at values provided by the scheme actuary in accordance with relevant guidelines.

22 POST EMPLOYMENT BENEFITS (continued)

ii. CI Scheme	**£'000**	**£'000**
	2023	**2022**
Changes in retirement benefit obligations		
Total IAS 19 retirement benefit obligation at 1 January	1,250	2,084
Interest cost on benefit obligation	57	37
Effect of changes in actuarial assumptions	14	24
Actuarial losses/(gains)	25	(807)
Benefits paid	(100)	(88)
Total IAS 19 retirement benefit obligation at year end	**1,246**	**1,250**
Changes in plan assets		
Total IAS 19 fair value of scheme assets at 1 January	2,366	2,774
Actual return on plan assets	145	(320)
Company contributions	-	-
Benefits paid	(100)	(88)
Total IAS 19 fair value of scheme assets at year end	**2,411**	**2,366**
Net IAS 19 asset	**1,165**	**1,116**
Funded status of plan	-	-
Unrecognised assets	**(1,165)**	**(1,116)**
Net IAS 19 amount recognised in statement of financial position	**-**	**-**

Contributions for the year to the defined benefit plan totalled £nil (2022: £nil), of which £nil was accrued at 31 December 2023 (2022: £nil). The Company expects to contribute £nil (2022: £nil) in the next financial year, based upon the current funded status and the expected return assumptions for the next financial year.

	2023	**2022**
	£'000	**£'000**
Changes in the asset ceiling		
Opening unrecognised asset due to asset ceiling	1,117	690
Changes in asset ceiling	48	427
Closing unrecognised asset due to the asset ceiling	**1,165**	**1,117**

Income/expense recognised in the income statement

There were no amounts recognised in 'Staff costs', within 'Administration expenses', in the income statement in respect of the defined benefit plan in the current or prior year.

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 Employee Benefits paragraph 58 have been reported in other comprehensive income.

22 POST EMPLOYMENT BENEFITS (continued)

Assumptions

The expected long-term rate of return on assets represents the Company's best estimate of the long-term return on the scheme assets and is generally estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that is generally expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

The Company, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The scheme return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The weighted average duration of the defined benefit obligation is 14 years, based upon actual cash flows.

The following table represents the principal assumptions at the end of the reporting year:

	%	**%**
	2023	2022
Discount rate	4.5	4.8
Rate of increase in deferred pensions	3.1	3.2
Rate of increase in pensions in payment	3.0	3.0
Inflation	3.2	3.3

The mortality assumptions used give the following life expectancy at 63:

		Life expectancy at 63 for male member currently		**Life expectancy at 63 for female member currently**	
		Aged 63	Aged 50	Aged 63	Aged 50
31 December 2023	**S3PA Light**	25.0	25.9	26.7	27.8
31 December 2022	S3PA Light	25.5	26.4	27.1	28.2

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and rate of mortality.

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are described below. Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

22 POST EMPLOYMENT BENEFITS (continued)

	£'000	£'000	£'000	£'000
	2023	**2023**	2022	2022
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(83)	95	(84)	95
Increase rate (0.5% movement)	17	(16)	16	(15)
Rate of mortality (increase by 1 year)	60	-	55	-

Scheme assets allocation

Scheme assets are stated at their fair values. Total scheme assets are comprised as follows:

	%	%	£'000	£'000
	2023	2022	**2023**	2022
Equity securities	22.0	32.8	530	776
Debt securities	54.8	49.2	1,321	1,164
Cash and other assets	12.2	5.3	295	126
Alternative investments	11.0	12.7	265	300
Total IAS 19 Fair value of scheme assets	100.0	100.0	2,411	2,366

Equity securities, debt securities and cash and other assets have a quoted market price.

23 RELATED PARTY DISCLOSURES

The Company is a wholly owned indirect subsidiary of Quilter plc and, in accordance with the exemption conferred under FRS 101, transactions with fellow wholly owned Group companies are not disclosed separately in these financial statements.

Key management personnel transactions
Remuneration of key management personnel is disclosed in Note 6.

Key management personnel of the Company and members of their close family have undertaken transactions with the Company in the normal course of business.

The products within the Company and Quilter Group are available to all employees of the Company on preferential staff terms, the impact of which is immaterial to the Company's financial statements. During the year ended 31 December 2023, key management personnel and their close family members contributed £285k (2022: £4k) to Company pensions and investments (in both internal and external fund). The total value of investments in Company pensions and investment products by key management personnel serving at any point during the year and their close family members was £2,925k at the end of the year.

During the prior year ended 31 December 2022, key management personnel and their close family members contributed £4k and the value of their investments in Group pensions and investment products totalled £2,474k.

24 FINANCIAL RISK MANAGEMENT

Risk Management framework

The Risk Management framework is defined by Quilter plc has been adopted by the Company. The framework comprises core components such as:

- the corporate governance arrangements which set out the way that the organisation is structured and managed;
- the end-to-end processes involved in the identification, measurement, assessment, management and monitoring of risk, including assignment of risk owners and risk reporting;
- the culture and behaviour that is exhibited and the associated reward mechanisms.

Quilter's Risk Management Framework has been refined to enable the development of a more data-led risk intelligence strategy that enables the firm to take a more quantitative approach to the understanding and management of risks. This supports the evaluation and management of business opportunities, uncertainties and threats in a structured and disciplined manner.

Risk is an inherent part of the Company's business activities. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. A key component of our approach to capital management is to ensure that the Company's policies are aligned with the Group's overall strategy, business plans and risk appetite. The Group's Capital Management Forum ("**CMF**") reviews the capital position of each of the regulated businesses on a monthly basis.

The key focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its operations. The material components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

Credit risk
Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, counterparty concentration risk and spread risk.

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 credit risk exposures of the Company are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits.

The Company is exposed to credit and counterparty risk in financial institutions (primarily through the investment of its shareholder funds), corporate entities and individuals (primarily through asset management trade settlement activities).

The credit risk arising from all exposures is mitigated through ensuring the Company only enters into relationships with appropriately robust counterparties, adhering to the Group Credit Risk Policy. For each asset, consideration is given as to:

- The credit rating of the counterparty, which is used to derive the probability of default;
- The loss given default;
- The potential recovery which may be made in the event of default;

24 FINANCIAL RISK MANAGEMENT (continued)

- The extent of any collateral that the firm has in respect of the exposures; and
- Any second order risks that may arise where the firm has collateral against the credit risk exposure.

The credit risk exposures of the Company are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits.

There is no direct exposure to European sovereign debt (outside of the UK) within the shareholder investments.

Investment of shareholder funds
The risk of counterparty default in respect of the investment of shareholder funds is managed through:
- Setting minimum credit rating requirements for counterparties;
- Setting limits and early warning indicators for individual counterparties and counterparty concentrations;
- Monitoring exposures regularly against approved limits; and
- Reviewing counterparties and associated limits on at least an annual basis.

Impact of credit risk on fair value
Due to the limited exposure that the Company has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are mainly due to changes in market conditions.

Maximum exposure to credit risk
The table below represents the Company's maximum exposure to credit risk. The Company's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements. Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Company would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The 'not rated' balances represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

24 FINANCIAL RISK MANAGEMENT (continued)

Credit rating relating to financial assets that are neither past due nor impaired

At 31 December 2023

	AAA	AA	A	BBB	Not rated	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Assets at FVTPL						
Cash and cash equivalents	30,000	-	-	-	-	30,000
Assets subject to 12 month ECL						
Cash and cash equivalents	-	5,692	38,568	-	-	44,260
Assets subject to lifetime month ECL						
Loans and advances	-	-	25,000	-	-	25,000
Trade receivables	-	-	-	-	26,691	26,691
Other receivables	-	-	17,199	-	350	17,549
Accrued income	-	-	-	-	40,396	40,396
	30,000	5,692	80,767	-	67,437	183,896

At 31 December 2022

	AAA	AA	A	BBB	Not rated	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Assets at FVTPL						
Cash and cash equivalents	22,500	-	-	-	-	22,500
Assets subject to 12 month ECL						
Cash and cash equivalents	-	-	34,820	674	12	35,506
Assets subject to lifetime month ECL						
Loans and advances	-	-	38,000	-	-	38,000
Trade receivables	-	-	-	-	23,794	23,794
Other receivables	-	-	19,582	-	433	20,015
Accrued income	-	-	-	-	40,378	40,378
	22,500	-	92,402	674	64,617	180,193

Impairment Allowance

Assets that are measured and classified at amortised cost are monitored for any expected credit loss ("**ECL**") on either a 12 month or lifetime ECL model. The majority of such assets within the Company are measured on the lifetime ECL model, with the exception of cash and cash equivalents that are on the 12 month ECL model. There has been no impairment allowance assessed in the current or prior year.

Market risk

Market risk is the risk of a financial impact to earnings or value arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates, each of which is detailed in the notes below.

The Group has established a market risk policy which sets out the market risk management and governance framework.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

24 FINANCIAL RISK MANAGEMENT (continued)

The Company does not undertake any principal trading for its own account. The Company's revenue is however affected by the value of assets under management and consequently it has exposure to equity market levels and economic conditions.

Equity and property price risk
In accordance with the market risk policy, the Company does not invest shareholder assets in equity or property, or related collective investments.

The Company derives fees which are linked to the performance of the underlying assets. Therefore future earnings will be affected by equity and property market performance.

Equity price sensitivity testing
A movement in equity prices would impact the fee income that is based on the market value of the investments held for the clients. The sensitivity is applied as a shock to equity prices at the start of the year.

Impact on profit after tax	**2023 £'000**	**2022 £'000**
Impact of 10% increase in equity prices	5,849	6,856
Impact of 10% decrease in equity prices	(5,849)	(6,856)

Interest rate risk
Interest rate risk arises primarily from bank balances and money market funds held with financial institutions.

Interest rate sensitivity testing
The impact of an increase and decrease in market interest rates of 0.5% is tested (e.g. if the current interest rate is 1%, the test allows for the effects of an instantaneous change to 0.5% and 0.5% from the start of the year). The sensitivity of both profit and shareholder's equity to interest rates is provided.

Impact to profit after tax	**2023 £'000**	**2022 £'000**
Impact of 0.5% increase in interest rates	424	467
Impact of 0.5% decrease in interest rates	(424)	(467)

Currency translation risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is Pounds sterling, which accounts for the majority of the Company's transactions, but the Company also has minor exposure to foreign exchange risk in respect to accounts receivable and future revenues denominated in US Dollars and Euros.

The Company has foreign currency exposure arising from its investment in an Irish subsidiary, which operates in Euros. The foreign currency exposure, relating to Euros at 31 December 2023 is £301k (2022: £946k).

24 FINANCIAL RISK MANAGEMENT (continued)

Currency translation risk (continued)

At 31 December 2023, if the UK pound had weakened/strengthened by 10% against the Euro with all other variables held constant, total comprehensive income for the year would have been £25k higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated receivables (2022: £99k).

The Company also has foreign currency exposure arising from its assets and liabilities in currencies other than pounds sterling. The foreign currency exposures, relating to other currencies at 31 December 2023 is £3,317k (2022: £8,538k). Each currency is actively managed, and compared with appropriate limits. The residual currency risk for the Company from this activity is not material.

Liquidity risk

Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due or that market conditions preclude the ability of the firm to trade in illiquid assets. The Company manages liquidity through:

i. Maintaining adequate high quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
ii. Continuously monitoring forecast and actual cash flows; and;
iii. Through matching the maturity profiles of financial assets and liabilities, where possible.

The Company maintains and manages the liquidity requirements according to the business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy, Group Liquidity Risk Standard and Group Liquidity Risk Appetite Statement. The Group framework is applied to identify, manage, measure, monitor and report on all liquidity risks that have a material impact on liquidity levels. This framework considers both short-term liquidity and cash management considerations and longer-term funding risk considerations.

Liquidity is monitored, with management actions taken at a business level to ensure the Company has liquidity to cover its minimum liquidity requirement, with an appropriate buffer.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of severe liquidity stresses. Contingency Funding Plans are in place for each individual business in order to identify a comprehensive list of contingent funding sources and the order and speed in which they could be utilised in a stress scenario. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Maturity analysis

In the following maturity analysis of financial assets and financial liabilities, amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2023. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from those financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

24 FINANCIAL RISK MANAGEMENT (continued)

31 December 2023	On demand £'000	Less than one month £'000	Equal to or more than 1 month but less than 1 year £'000	Equal to or more than 1 month but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
Financial assets						
Cash and cash equivalents	74,260	-	-	-	-	74,260
Trade receivables	-	26,691	-	-	-	26,691
Loans and advances	25,000	-	-	-	-	25,000
Other receivables	17,199	350	-	-	-	17,549
Accrued income	-	40,396	-	-	-	40,396
Total Financial assets	116,459	67,437	-	-	-	183,896
Financial liabilities						
Trade payables	-	24,106	-	-	-	24,106
Other payables	160	9,913	-	-	-	10,073
Total Financial liabilities	160	34,019	-	-	-	34,179

31 December 2022	On demand £'000	Less than one month £'000	Equal to or more than 1 month but less than 1 year £'000	Equal to or more than 1 month but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
Financial assets						
Cash and cash equivalents	58,006	-	-	-	-	58,006
Trade receivables	-	23,794	-	-	-	23,794
Loans and advances	38,000	-	-	-	-	38,000
Other receivables	19,582	433	-	-	-	20,015
Accrued income	-	40,378	-	-	-	40,378
Total Financial assets	115,588	64,605	-	-	-	180,193
Financial liabilities						
Trade payables	-	22,437	-	-	-	22,437
Other payables	226	9,570	-	-	-	9,796
Total Financial liabilities	226	32,007	-	-	-	32,233

24 FINANCIAL RISK MANAGEMENT (continued)

Operational risk

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

Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of the administration processes, IT maintenance and development processes, investment processes, product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), risks relating to the relationship with third party suppliers, and the consequences of financial crime and business interruption events.

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

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

25 CAPITAL MANAGEMENT

The Company manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Company's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Company ensures that it can meet its expected capital and financing needs at all times having regard to the Company's business plans, forecasts and strategic initiatives and regulatory requirements. The Company's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

- Maintain sufficient, but not excessive, financial strength to support stakeholder requirements
- Retain financial flexibility by maintaining adequate liquidity.

The primary sources of capital used by the Company are equity shareholders' funds. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital and liquidity within the Company. The risk appetite includes long term targets, early warning thresholds and risk appetite limits.

The Internal Capital Adequacy and Risk Assessment ("**ICARA**") process is used to assess the level of capital and liquidity which should be retained within the Company to meet severe but plausible stresses whilst continuing as a going concern, and for orderly wind-down.

The Company complied with all of its regulatory capital requirements during the year.

25 CAPITAL MANAGEMENT (continued)

The Company manages the following items as capital:

	2023 £'000	2022 £'000
Ordinary share capital	136,391	76,391
Reserves	54,139	68,020
	190,530	**144,411**

26 FIDUCIARY ACTIVITIES

The Company provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Company making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

Some of these arrangements involve the Company accepting targets for benchmark levels of returns for the assets under the Company's care. These services give rise to the risk that the Company may be accused of misadministration or under-performance.

The Company holds client money and other assets on behalf of clients under the FCA's Client Assets Sourcebook ("CASS"). The Company is not beneficially entitled to those assets and therefore neither the assets nor the related amounts due to clients are recognised on the Company balance sheet.

27 ULTIMATE PARENT COMPANY

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

The ultimate parent company, controlling party and the smallest and largest group to consolidate these financial statements is Quilter plc, registered in England and Wales. The consolidated financial statements are available from:

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

28 EVENTS AFTER THE REPORTING DATE

Following finalisation in early 2023 of the buy in (commenced in 2019), The Scheme is now fully insured by a number of bulk annuity policies. The Scheme trustees have now recommended to the Company that the scheme move to wind up. The Board met on 5th March 2024 to discuss the recommendation, which was approved at that meeting. The trustees will now commence the wind up process, which will involve informing scheme members of the commencement of the process and the provision of a statement of their benefits secured with the annuity provider. The trustees will then instruct the annuity provider to issue individual policies to scheme members in order to discharge all members benefits in full, at which point the annuity provider will be responsible for providing (former) scheme members with their benefits. The impact of this is that the assets and liabilities of The Scheme, currently recognised on the balance sheet, and disclosed in Note 22 on page 54 will be de-recognised.