ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 December 2021

QUILTER CHEVIOT HOLDINGS LIMITED

Registered in England and Wales No. 08257448

CONTENTS

QUILTER CHEVIOT HOLDINGS LIMITED

COMPANY INFORMATION

Directors	P P Barnacle A I McGlone
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: 08257448

QUILTER CHEVIOT HOLDINGS LIMITED

STRATEGIC REPORT

The Directors present their strategic report for Quilter Cheviot Holdings Limited (the "Company") for the year ended 31 December 2021.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an intermediate holding company.

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 Advice segment.

During the year, the Company acquired the entire issued share capital of Quilter Private Client Advisers Limited from Blueprint Organisation Limited, another Group company, pursuant to a sale and purchase agreement which became effective on 30 July 2021.

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 efficiency of doing so, delivering top line growth and operating leverage. Those priorities are underpinned by embodying a diverse and inclusive culture, where colleagues embrace Quilter's cultural values of being pioneering, dependable and stronger together which aids achieving Quilter's goals and benefits all of stakeholders.

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 profit for the year, after tax, was £27,200,000 (2020: £56,991,000). As at 31 December 2021 the Company had net assets of £276,226,000 (2020: £210,026,000).

PRINCIPAL RISKS

The management of the business and the execution of the Company's strategy is subject to a number of risks. The key risks affecting the business are retention of key staff, transition change, liquidity risk and credit risk.

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 18.

Market risk

Market risk is the risk to a company's financial condition resulting from adverse movements in market variables. This includes traded risks covering general (systematic) market risk and specific risk. By asset type definition, market risks include interest rates, credit spreads, equities, foreign-exchange and commodity risks.

Credit risk

Credit risk refers to the risk of loss arising from borrower or counterparty default when a borrower, counterparty or obligor does not meet its obligations.

The Company manages credit risk exposure by ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit and escalating risk concentrations to appropriate senior management.

Liquidity risk

Liquidity is the amount of cash and cash equivalents available at any given time to meet future funding requirements. Liquidity risk is the risk that the Company is unable to meet its funding obligations in a timely manner. Failure to adequately manage liquidity risk can be costly and could also lead to insolvency.

The Company has created a liquidity risk management framework, based on the regulatory requirements of BIPRU, which is designed to ensure that the Company maintains sufficient liquidity to be able to continue to fund its ongoing business and to meet all its financial obligations maturing within a one-year period. In the event that the Company believes that this will not be achieved, the Company will implement mitigating activities pursuant to liquidity crisis planning guidelines.

SECTION 172 (1) STATEMENT

The Company is a wholly owned subsidiary of Quilter plc and therefore operates in line with the strategy, policies and practices that are set by the Quilter plc Board and are described in the Quilter plc Annual Report. The following statement should therefore be read in conjunction with the Quilter plc Annual Report 2021.

In order to ensure decision-making bodies within Quilter plc continue to take their decisions on a fully informed basis, the Group has taken steps to further embed management's and directors' understanding of the responsibilities ascribed to directors under section 172 (1) of the Companies Act 2006 at a Quilter plc level and across its management committees and subsidiaries, including the Company. Quilter Corporate Secretariat continue 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. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties to ensure that section 172 (1) considerations remain at the heart of the Group's decision-making at all levels.

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

The Board of Quilter Cheviot Limited ("QCL"), a Business Oversight Board under the Group Governance Framework, is responsible for the overall oversight of the Quilter Cheviot business, which comprises the Company and its subsidiaries. Details of how the directors of QCL discharged their duties under section 172 (1) of the Companies Act 2006 are set out in the QCL Annual Report 2021.

Approved by the Board and signed on its behalf by

P Barnacle

P P Barnacle
Director
3 August 2022

QUILTER CHEVIOT HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the Company for the year ended 31 December 2021.

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 change in the activity of the Company.

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
A I McGlone

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 2021 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.

POLITICAL DONATIONS

No political donations were made during the year (2020: £nil).

DIVIDENDS

During the year dividends of £50,000,000 were paid to the holders of the ordinary shares (2020: £57,000,000). The Directors do not propose a final dividend.

FINANCIAL INSTRUMENTS
The financial risk management objectives and policies of the Company are disclosed in note 17.

STATEMENT OF GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, Notes 18 and 19 to the financial statements describe the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

BUSINESS RELATIONSHIPS STATEMENT

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

An explanation of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, has been set out in Quilter's 2021 Annual Report, which does not form part of this report.

EMPLOYEES

The Company is committed to the development of policies to promote an inclusive culture and equal opportunities in employment for all its employees and ensuring that everyone has the opportunity to fulfil their full potential regardless of diversity characteristics. It continues to support employees under the Equality Act 2010 by making reasonable adjustments to their work environment and the nature of their work.

As part of the Group governance framework, the Company relies upon Group practices and process in order to support employees. Monitoring and oversight is described in full in the Quilter plc 2021 Annual Report and Account. In 2021, the Group continued to monitor colleagues' wellbeing and support them from the impact of the global pandemic. Measures included reinforcing remote working capabilities and maintaining our offices in line with UK Government guidelines to enable modest numbers of staff, where appropriate, to operate in a socially-distanced manner during periods of national lockdown. An explanation of how the Quilter plc Board has carried out these responsibilities has been set out in the Quilter plc 2021 Annual Report and Accounts, which does not form part of this report.

QUILTER CHEVIOT HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

CLIMATE CHANGE

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

STREAMLINED ENERGY AND CARBON REPORTING

The Group is committed to managing its environmental impact and supports the Carbon Disclosure Project ('CDC'), a globally recognised initiative for companies to measure, manage, disclose and reduce their environmental impacts. A full explanation of how the Directors have had regard to the impact on the environment is contained within the Quilter plc Annual Report 2021 as per the requirements of Streamlined Energy and Carbon Reporting. The Company is exempt from reporting Company specific information as it is a subsidiary of the Group.

INDEPENDENT AUDITORS

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

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 P Barnacle
Director
3 August 2022

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:

(a) select suitable accounting policies and then apply them consistently;
(b) 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;
(c) make judgements and accounting estimates that are reasonable and prudent; and
(d) 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of Quilter Cheviot Holdings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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, comprising 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 2021; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 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 the Companies Act 2006, 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 management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit, management involved in the risk and compliance functions and the group and company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing relevant meeting minutes including those of the Quilter Cheviot Governance, Audit and Risk Committee.
- Identifying and testing journal entries, in particular any journal entries posted with unusual characteristics, where any such journal entries were identified.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of the investment in subsidiaries.
- 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.

Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 August 2022

QUILTER CHEVIOT HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Other expense	5	-	(9)
Dividend income	6	50,000	57,000
Other gains / (losses)	10	(22,800)	-
PROFIT BEFORE INCOME TAX		27,200	56,991
Income tax expense	8	-	-
PROFIT FOR THE FINANCIAL YEAR		27,200	56,991
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		27,200	56,991

All operations were continuing in the current and prior year.

The Notes on pages 16 to 38 form an integral part of the financial statements.

QUILTER CHEVIOT HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2021

2021	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		56,513	146,258	7,255	210,026
Profit for the year		-	-	27,200	27,200
Total comprehensive income		-	-	27,200	27,200
Transactions with owners:					
- Dividends to equity holders of the Company	15	-	-	(50,000)	(50,000)
- Issue of share capital	14	89,000	-	-	89,000
- Conversion of share premium	14	-	(146,258)	146,258	-
- Transfers to other group entities	9	-	-	-	-
Balance at 31 December 2021	14	145,513	-	130,713	276,226

2020	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020		44,513	146,258	7,355	198,126
Profit for the year		-	-	56,991	56,991
Total comprehensive income		-	-	56,991	56,991
Transactions with owners:					
- Dividends to equity holders of the Company	15	-	-	(57,000)	(57,000)
- Issue of share capital	14	12,000	-	-	12,000
- Conversion of share premium	14	-	-	-	-
- Transfers to other Group entities	9	-	-	(91)	(91)
Balance at 31 December 2020	14	56,513	146,258	7,255	210,026

The Notes on pages 16 to 38 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	2021 £'000	2020 £'000
ASSETS			
Investments in subsidiaries	10	275,829	210,026
Other receivables	11	89,000	-
TOTAL ASSETS		364,829	210,026
LIABILITIES AND EQUITY			
Other payables	12	88,603	-
TOTAL LIABILITIES		88,603	-
EQUITY			
Called up share capital	14	145,513	56,513
Share premium account	14	-	146,258
Retained earnings		130,713	7,255
TOTAL EQUITY		276,226	210,026
TOTAL LIABILITIES AND EQUITY		364,829	210,026

The financial statements on pages 13 to 15 were approved by the Board of Directors on 3 August 2022 and signed on its behalf by

P P Barnacle
Director

Company Registered Number: 08257448

The Notes on pages 16 to 38 form an integral part of the financial statements.

1. GENERAL INFORMATION

Quilter Cheviot Holdings Limited (the "Company"), is a private limited company limited by shares incorporated and domiciled in the England and Wales. 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 page 1.

2. BASIS OF PREPARATION

The financial statements of the Company for the year ended 31 December 2021 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (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.

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. For the purposes of the regulation the Company has been judged to be a financial institution.

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

- 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).
- 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.

2. BASIS OF PREPARATION (continued)

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

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

There were no new standards or interpretations which became effective from 1 January 2021.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the Company's financial statements.

Going Concern

The Directors have considered the resilience of the Company, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2021 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.

Liquidity analysis of the Statement of financial position

The Group's Statement of financial position is in order of liquidity as is permitted by IAS 1 Presentation of Financial Statements. For each asset and liability line item, those amounts expected to be recovered or settled after more than 12 months after the reporting date are disclosed separately in the Notes to the consolidated 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.

Critical accounting estimates

The Company's critical accounting estimates are shown below and involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the net carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting standards and guidance to make predictions about future actions and events. Actual results may differ from those estimates.

a. Impairment to investment in subsidiary

In accordance with the requirements of IAS 36 Impairment of Assets, 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described below. Accounting policies have been applied consistently, and there have been no changes to the Company's significant accounting policies as a result of changes in accounting standards during the year.

a. Functional currency

Items included in the financial statements are measured and presented in pounds sterling, the currency of the primary economic environment in which the Company operates. All currency amounts in the financial statements and strategic report are rounded to the nearest thousand pounds sterling.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Financial instruments

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

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. The Company determines its strategy in holding the financial asset, particularly considering whether the Company earns contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may 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. The standard has four categories, of which two 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 at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Financial investments

Fixed term deposits with a maturity profile exceeding three months are categorised as financial investments and are measured at amortised cost. The Company recognises purchases and sales of financial investments on trade date, which is the date that the Company commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. At inception, investment contract liabilities for unit-linked business are designated as financial liabilities and measured at FVTPL. Other financial liabilities, including the Company's borrowings and trade payables, are measured at amortised cost using the effective interest method.

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 income statement as they occur.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

d. 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.

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 guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit.

5. OTHER EXPENSE

During the year, the Company incurred no administrative expenses in relation to the Quilter Cheviot Employee Benefit Trust (2020: £9,000).

Audit fees of £10,945 (2020: £10,474) have been borne by a subsidiary company, Quilter Cheviot Limited. No fees were paid to PricewaterhouseCoopers LLP or their affiliates for non-audit services in both the current or prior year.

The Company employed no staff during the year (2020: None).

6. DIVIDEND INCOME

Dividend income of £50,000,000 from Quilter Cheviot Limited, (2020: £57,000,000) was recognised during the year.

7. DIRECTORS' REMUNERATION

The Directors did not receive any remuneration for their services to the Company during the year (2020: £nil). The below is the remuneration the Directors have received for the services they provide to the subsidiary undertakings.

	2021 **£'000**	**2020** **£'000**
Total emoluments of all directors:		
Aggregate emoluments	877	583
Share-based payments	329	427
Contributions to pension scheme	14	16
	1,220	1,026
Disclosures in respect of the highest paid director:		
Aggregate emoluments	591	360
Share-based payments	284	351
Contributions to pension scheme	4	6
	879	717

Directors' emoluments have been calculated as the sum of cash, bonuses, and benefits in kind.

The value of assets awarded under long-term incentive schemes has been included in the above disclosures when the awards are granted.

7. DIRECTORS' REMUNERATION (continued)

Two Directors, including the highest paid Director, received or were due to receive shares or share options under long-term incentive schemes (2020: two). Two Directors, including the highest paid director exercised options during the year (2020: two).

Shares or share options were in Quilter plc shares for the period from the listing date onwards.

As at 31 December 2021, there were two Directors to whom retirement benefits were accruing under a money purchase scheme (2020: two).

8. INCOME TAX EXPENSE

Analysis of tax charge/(credit) for the period	**2021** **£'000**	**2020** **£'000**
Tax charge on (loss)/profit on ordinary activities	-	-

The main rate of corporation tax is 19%. This will increase to 25% with effect from 1 April 2023.

Reconciliation of effective tax rate

	2021 **£'000**	**2020** **£'000**
IFRS profit/(loss) before tax	27,200	56,991
Corporation tax (credit)/charge at 19% (2020: 19%)	5,168	10,828
Impact on tax of:		
Dividends received non taxable	(9,500)	(10,828)
Impairment charge non taxable	4,332	-
Total tax expense in the Statement of comprehensive income	-	-

9. QUILTER CHEVIOT EMPLOYEE BENEFIT TRUST

The Company was the principal company of the Quilter Cheviot Employee Benefit Trust ("**EBT**"). On 27 May 2020, the remaining cash held in the Quilter Cheviot EBT was transferred to the Quilter EBT, another employee benefit trust within the Group. As such, the Quilter Cheviot EBT did not hold a cash balance at the end of 2021.

	2021 £'000	2020 £'000
At January	-	100
Professional fees and charges	-	(9)
Transfer to Quilter EBT	-	(91)
At 31 December	-	-

10. INVESTMENTS IN SUBSIDIARIES

The movement in the Company's investments in its subsidiaries is as follows:

	2021 £'000	2020 £'000
Cost and net book value		
At 1 January	210,026	198,026
Additions	88,603	12,000
Write-down of investment	(22,800)	-
At 31 December	275,829	210,026

During the year, the Company purchased Quilter Private Client Advisers Limited, ("**QPCA**"), for £88,602,505 from Blueprint Organisation Limited, a fellow subsidiary undertaking within the Group.

An impairment review on the Company's investment in QPCA was carried out and found that recoverable value of the investment was lower than its carrying amount. The methodology used was to take the Terminal value plus discounted cash flows plus net assets. The net asset value used excluded the Goodwill and Intangibles held on the balance sheet. This resulted in a carrying value of £65,800,000. Therefore an impairment of £22,800,000 was recognised against the Company's investment in QPCA (2020: none).

10. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the investments in subsidiaries of the Company at 31 December 2021 are as follows:

Name of Company	Registered office	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights held	Nature of business
Cheviot Capital (Nominees) Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100% *	100% *	Nominee
C.I.P.M. Nominees Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100% *	100% *	Nominee
Pembroke Quilter (Ireland) Nominees Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	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
Quilter Cheviot Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Financial services
Quilter Cheviot Europe Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	Ordinary	100% *	100% *	Financial services

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 International Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100% *	100% *	Dormant
Quilter Nominees Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100% *	100% *	Nominee
Quilpep Nominees Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100% *	100% *	Nominee
Quilter Private Client Advisers Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Financial services
Violet No.2 Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100% *	100% *	Dormant

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

11. OTHER RECEIVABLES

	2021 £'000	2020 £'000
Amounts due from other Group undertakings	89,000	-
	89,000	-

Amounts due from other Group undertakings is in relation to the issue of share capital for the purchase of Quilter Private Client Advisers Limited.

12. OTHER PAYABLES

	2021 £'000	2020 £'000
Amounts due to other Group undertakings	88,603	-
	88,603	-

Amounts due to other Group undertakings is in relation to the purchase of Quilter Private Client Advisers Limited, and the full amount is owed to Blueprint Organisation Limited.

13. CONTINGENT LIABILITIES

There are no material contingent liabilities as at 31 December 2021 (2020: £nil).

14. EQUITY

Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
5,651,268,080 (2020: 5,651,268,080) ordinary shares of £0.01 each	56,513	56,513
Allotted, called up and not fully paid		
8,900,000,000 (2020: nil) ordinary shares of £0.01 each	89,000	-
	145,513	56,513

8,900,000,000 (2020: 1,200,000,000) ordinary shares were issued during the year for cash consideration.

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.

14. EQUITY (continued)

Reserves

Share premium reserve
During the year ended 31 December 2021 the share premium reserve of £146,258,327 was converted to fully distributable reserves (2020: none).

	2021 £'000	2020 £'000
At 1 January	146,258	146,258
Conversion to fully distributable reserves	(146,258)	-
At 31 December	-	146,258

15. DIVIDENDS TO EQUITY HOLDERS OF THE COMPANY

The following amounts represent the interim dividends paid in the current and prior year:

	2021 Per share £	2021 Total £'000	2020 Per share £	2020 Total £'000
Dividends on ordinary shares - interim	0.0035	20,000	0.0101	57,000
Dividends on ordinary shares - interim	0.0021	30,000	-	-

The first dividend payment of £20m was paid to the 5,651,268,080 shares held at that time.

There was a subsequent dividend paid of £30m to 14,551,268,080 shares. The £0.0027 dividend per share represents the weighted average of the two dividend payments.

16. EXPECTED MATURITY OF ASSETS

The Company's financial assets expected maturity dates are disclosed in Note 17.

None of the Company’s non-financial assets are expected to be recovered more than 12 months after the reporting period (2020: none).

17. FINANCIAL RISK MANAGEMENT

Risk Management framework

The Enterprise Risk Management ("**ERM**") framework is defined by Quilter plc has been adopted by the Company. The ERM 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.

The ERM framework aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities, uncertainties and threats in a structured, disciplined manner. In this way Quilter seeks to ensure that risk and capital implications are considered when making strategic and operational decisions, and to ensure that Quilter's risk profile is understood and managed within the agreed risk appetite.

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

Overall exposure to 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 framework that includes a Credit Risk Policy, Credit Risk Standard and Credit Risk Appetite Statement. This framework applies to all activities where the shareholder is exposed to credit risk, either directly or indirectly, ensuring appropriate identification, measurement, management, monitoring and reporting of the Group's credit risk exposures.

17. FINANCIAL RISK MANAGEMENT (continued)

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;
- 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. At 31 December 2021, the Company's material credit exposures were to financial institutions (primarily through the investment of shareholder funds) and corporate entities (including external fund managers and reinsurers).

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.

Collateral and other credit enhancements
The amount and type of collateral required by the Company depends on an assessment of the credit risk of the counterparty. Collateral held is managed in accordance with the Company’s guidelines and the relevant underlying agreements. The market value of securities received as collateral is monitored on a daily basis and securities received as collateral generally are not recognised on the Statement of financial position.

17. FINANCIAL RISK MANAGEMENT (continued)

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

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 Company has a market risk policy which set out the risk management framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. Governance and monitoring processes provide oversight of the management of market risk by the individual businesses.

The Company enters into all of its financial asset transactions with other Group companies, where both the Company and the other Group companies are wholly-owned subsidiaries of the same ultimate parent entity, Quilter plc.

17. FINANCIAL RISK MANAGEMENT (continued)

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.

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 2021. 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.

17. FINANCIAL RISK MANAGEMENT (continued)

31 December 2021	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 year but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
Financial assets						
Other receivables	89,000	0				89,000
Total financial assets	89,000	-	-	-	-	89,000
Financial liabilities						
Other payables	88,603	-	-	-	-	88,603
Total financial liabilities	88,603	-	-	-	-	88,603

31 December 2020	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 year but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
Financial assets						
Other receivables	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-
Financial liabilities						
Other payables	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-

18. 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 liquidity unutilised committed credit lines

18. CAPITAL MANAGEMENT (continued)

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, liquidity and debt within the Group. The risk appetite includes long term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

The Company manages the following items as capital:

	2021 £'000	2020 £'000
Ordinary share capital	145,513	56,513
Share premium	-	146,258
Reserves	130,713	7,255
	276,226	210,026

19. RELATED PARTY TRANSACTIONS

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 compensation

Remuneration of key management personnel is disclosed in Note 7.

Key management personnel of the Company and members of their close family have had no other transactions with the Company.

20. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Quilter Cheviot 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

21. EVENTS AFTER THE REPORTING DATE

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