

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2023

Quilter Life & Pensions Limited

Registered in England and Wales No. 04163431

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COMPANY INFORMATION

Directors as at reporting date

N A Atkar
T J Breedon
T Essani
M Kilcoyne
S D Levin (Chief Executive Officer)
R Markland (Chair)
P S Matthews
G M Reid
C J L Samuel
M O Satchel

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
EC4V 4AB

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2023.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

Quilter Life & Pensions Limited ("the Company") is a leading investment platform provider of retail advised wealth management products and services, operating in the UK. It largely serves an affluent customer base through the Quilter Group's Quilter Financial Planning business and third party financial advisers.

The Company and its sister company Quilter Investment Platform Limited comprise the Quilter Investment Platform business, which forms part of the Affluent segment within the Quilter plc group ("Quilter" or the "Group").

Quilter plc is the ultimate parent company and delivers strategic and governance oversight. Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA").

Quilter plc Strategy

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

Quilter Life & Pensions Limited Strategy

The Company is focused on the delivery of key strategic growth initiatives to drive platform flows from both the Quilter and independent financial advisor channels whilst deepening the value of Quilter's integrated proposition through the coming together of our advice, platform and investment businesses under the Affluent segment. The Company is focused on building a strong and growing business delivering to advisors and customers whilst working with our technology partners to enhance efficiency and deliver end to end digital solutions.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS (KPIs)

Table A on the following page shows the key performance indicators the Company uses to manage business performance. The Company assesses its financial performance using a variety of alternative performance measures (“APMs”). APMs are not defined by the relevant financial reporting framework, but the Directors use them to provide greater insight into the financial performance, financial position and cash flows of the Company and the way it is managed. APMs should be read together with the audited statement of comprehensive income and statement of financial position, which are presented in the financial statements on pages 20 and 22, respectively. Further details of APMs used by the Company are provided 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.
Gross sales	Gross sales are the gross client cash inflows received from customers during the period and represent our ability to increase assets under administration and revenue.
Assets under administration	Represents the total market value of all financial assets administered on behalf of customers and excludes shareholder assets.
Net client cash flow (NCCF)	The difference between gross sales and money returned to customers during the relevant period. This measure is considered to be a lead indicator of reported total revenue.

The Company achieved gross sales of £5.3bn (2022: £4.4bn) in the year. Gross sales are up on prior year, supported by an initiative to simplify the process for transferring customers’ back books, administered on external platforms, to Quilter. The increase over prior year has been suppressed as the market wide impacts of an increased cost of living (due to high interest rates and inflation), the attractiveness of cash saving rates and geo-political issues has continued.

NCCF was £2.3bn (2022: £1.8bn). NCCF has improved compared to 2022 as a result of increased gross sales performance being partially offset by higher outflows.

The Company’s Assets under Administration have increased by £5.2bn to £43.4bn (2022: £38.2bn). The increase is driven by positive market movements across the year and positive NCCF.

The business continues to be profitable on an adjusted profit basis, with an adjusted profit before tax of £69.3m representing a £18.9m increase over prior year (2022: £50.4m). The Company received lower annual management charges during 2023, a result of reduced margins attributable to the application of a price reduction. This was more than offset by the introduction of a margin retention on policyholder cash interest, a full year’s benefit of Wealth Select MPS fees (part-year in 2022) and a material increase in investment return aligned to increases in bank and money market rates. The improved revenue position was alongside a favourable administrative expense variance versus 2022.

On a statutory basis, the Company has made a post-tax profit of £6.9m in 2023 compared to a post-tax profit of £153.2m in 2022. High levels of market volatility over 2022 and 2023 have had significant impacts on the Company’s result. The recognition of income received from policyholders (which is included within revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility within the Company’s profit before tax.

STRATEGIC REPORT (continued)

Table A: Key performance indicators:

	2023 £m	2022 £m
Gross sales	5,322	4,385
Net client cash flow	2,285	1,820
Assets under administration	43,412	38,205
Adjusted profit (AP) before tax	69.3	50.4
Profit after tax	6.9	153.2

Table B: Reconciliation between adjusted profit before tax and profit after tax:

	2023 £m	2022 £m
Adjusted profit before tax	69.3	50.4
Adjusting for the following:		
Policyholder tax adjustments	(61.9)	137.9
Voluntary customer repayments	-	(6.1)
Total adjusting items before tax	(61.9)	131.8
Profit before shareholder tax (net of policyholder tax)	7.4	182.2
Tax attributable to policyholder return	76.4	(134.0)
Profit before tax	83.8	48.2
Total tax	(76.9)	105.0
Profit after tax for the financial year	6.9	153.2

Adjustments to policyholder tax are made to remove distortions arising from market volatility and other non-operating items that can in turn lead to volatility in policyholder tax reported on a statutory basis between periods. During 2023 this resulted in an adjustment of (£61.9m) (2022: £137.9m). Note 9 provides information regarding the impacts of market volatility on policyholder tax reported within the profit after tax for the financial year.

In addition, during 2022, the Company changed its business policy related to income received following the closure of a customer's plan – termed 'Final Plan Closure' ("FPC") income. Such income is now returned to customers rather than retained. The Company embarked on a programme to voluntarily return FPC income received since 2013 to former customers at an estimated cost of £6.1m, including an interest charge. This amount is not reflected in adjusted profit on the basis that it is not representative of the operating performance of the business during 2022. This remediation was largely completed in 2023.

FINANCIAL POSITION AT THE END OF THE YEAR

The Company's total net assets have decreased from £345.5m to £337.4m over the course of the year. During 2023, £15m dividends were paid to its parent company, Quilter UK Holding Limited (2022: £nil) and the Company issued a further £20m unsecured, interest-bearing loan to its parent company (2022: £30m).

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT

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

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, and where appropriate its Audit Committee, Risk Committee and Investment Oversight Committee, considers and discusses information from across the organisation to help it understand the impact of the Company's operations, and the interests and views of its key stakeholders. 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 Board through reports sent in advance of each Board 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.

The Board is committed to ensuring good client outcomes and regularly reviews and challenges operational service performance to provide assurance that the Company is delivering a good service to its clients. The Board scrutinises a regular Customer Report which includes feedback on the perceived quality of services to ensure the business is continually learning from the feedback received from customers and their advisers. The Customer Report has been refreshed to provide the Board with enhanced metrics to evidence the protection of customers and the prevention of customer harm. The Audit Committee 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. 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 Risk Committee, will continue to oversee management's continued focus to deliver these outcomes and maintain compliance with the duty.

Maintaining an open and transparent relationship with our regulators is a key priority and the Board and the Risk Committee 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 Board received regular updates on regulatory developments in 2023, including a number of Dear CEO letters. The Risk Committee 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.

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.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Profile

The Company is exposed to a number of risks as a result of its business model, including certain strategic, business, operational, financial and regulatory risks. These are managed against its risk appetite with the aim of ensuring delivery of the long-term commitments to customers and shareholders.

The Company manages its risks through the Quilter Risk Management framework, which 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.

The Company's principal risks and uncertainties are detailed below:

Business strategy and performance

The Company's principal revenue streams are related to the value of assets under 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, assets under administration ("AuA") 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 operation

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, with team synergies being harnessed to support a reduction in duplication, inconsistency and complexity.

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 the Company'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. The Company remains focused on ensuring that products and services are designed and maintained in line with the Consumer Duty.

Regulatory, Tax and Legal

The Company is subject to conduct and prudential regulation in the UK, provided by the FCA and PRA. 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. 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.

STRATEGIC REPORT (continued)

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 radar

The Company monitors risks which are less certain in terms of timescales and impacts. This assessment is carried out regularly and 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, feeding into our strategic planning process. The most significant emerging risks to the Company are:

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, Russia, Ukraine and Taiwan.

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.

Disruptive competition and technology

New technologies and changes in the competitive landscape increase margin pressure. 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 could see new players in the already highly competitive market, having the potential to erode the Company's market share and increase fee pressure across the value chain.

Generational shifts

Ageing population and intergenerational wealth transfer changes customer expectations. 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 the Company in the form of changing consumer demands and expectations.

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 the Company'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 the Company's and its critical third parties' operations which must be considered as part of operational resilience planning.

STRATEGIC REPORT (continued)

SOLVENCY II

The Company complies with the Solvency II capital regime as it applies in the United Kingdom. The UK Solvency II rules set out requirements for UK insurance entities relating to the measurement of assets and liabilities, the assessment of risk-based capital requirements, risk management and governance practices and reporting to the public and to the PRA.

The Company continues to review the capital strength and liquidity of the business taking account of the underlying business risks. The Company has applied the standard formula approach for the purposes of determining the Solvency Capital Requirement under Solvency II in line with management's view that this is the most appropriate basis. The Company conducts annual assessments to ensure that this basis remains appropriate.

On behalf of the Board



M O Satchel
Director
5 March 2024

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The review of the business and principal risks and uncertainties, as well as likely future developments in the business, are disclosed within the Strategic Report.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing are listed below. The names of the current directors are listed on page 1.

N A Atkar	(appointed 1 September 2023)
A M Barnes	(resigned 31 August 2023)
T J Breedon	(appointed 1 September 2023)
T Essani	(appointed 1 September 2023)
J E Gill	(resigned 31 August 2023)
M Kilcoyne	(appointed 1 September 2023)
S D Levin	(Chief Executive Officer)
R Markland	(Chair appointed 1 September 2023)
P S Matthews	(appointed 1 September 2023)
G M Reid	
C J L Samuel	(appointed 1 September 2023)
M O Satchel	(appointed 14 September 2023)
L H Williams	(resigned 13 September 2023)

QUALIFYING THIRD-PARTY INDEMNITIES

Qualifying third-party indemnity 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 a dividend of £15m was remitted to Quilter UK Holding Limited (2022: £nil). The Directors do not propose a dividend payment before or on the date of approval of the accounts.

EMPLOYEES

The Company has no employees (2022: nil). As stated in note 7, management services are provided by Quilter Business Services Limited, a fellow Group undertaking.

FINANCIAL INSTRUMENTS

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

POLITICAL DONATIONS

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

DIRECTORS' REPORT (continued)

BUSINESS RELATIONSHIPS

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

CORPORATE GOVERNANCE STATEMENT

Quilter plc is subject to the requirements of the 2018 UK Corporate Governance Code (the Code) and sets out its compliance with the Code's provisions during the year in the Quilter plc Annual Report 2023. The Company has chosen not to apply a governance code during the year. As a wholly owned subsidiary of Quilter plc, the Company has instead complied with the Quilter plc Group Governance Manual which sets out certain minimum standards and guidance for the governance frameworks of Quilter plc's subsidiaries.

The Board benefits from strong representation of independent Non-executive Directors who are considered independent under the Code and who represent a majority on the Board. There is a clear division of responsibilities on the Board with the roles of the Chairman and the Executive Directors being clearly articulated in the Board Charter adopted by the Board.

The composition, succession plans and evaluation of the Board are overseen by the Quilter plc Board Corporate Governance and Nominations Committee. The Board has established an Audit Committee, Risk Committee and Investment Oversight Committee whose responsibilities include risk oversight, review of internal controls, review of financial reporting, review of investment portfolio performance and the governance framework for the business. The Board has not established a Remuneration Committee or a Nominations Committee as the functions of such committees in relation to the Company are discharged at Quilter plc level.

STATEMENT OF GOING CONCERN

The use of the going concern basis of accounting is considered appropriate, reflecting future expected profitability. There are no material uncertainties, related events or conditions that may cast significant doubt over the ability of the Company to meet its liabilities as they fall due, for at least 12 months from the date of approving these financial statements. Further details of the assessment of going concern, are included in note 2.

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 supports the Carbon Disclosure Project (“CDP”), 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 2023 as per the requirements of Streamlined Energy and Carbon Reporting. The Company is exempt from reporting Company specific information in the 2023 Annual Report and Financial Statements, as it is a subsidiary of the Group. It will however publish its Task Force on Climate Related Financial Disclosure (“TCFD”) report and TCFD Product report, covering the Wealth Select portfolios, by 30 June 2024 with respect to the 2023 reporting period.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in the office as auditors in accordance with section 485 of the Companies Act 2006.

On behalf of the Board



M O Satchel
Director
5 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

On behalf of the Board



M O Satchel
Director
5 March 2024

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF QUILTER LIFE & PENSIONS LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion, Quilter Life & Pensions 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.

Our opinion is consistent with our reporting to the Board Audit Committee.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The Company is managed from a single location and does not have any branches and so no scoping by location is performed; and
- We performed audit procedures on all material balances and line items in the financial statements, all of which was performed by the same engagement team with the exception of the use of our tax and asset pricing specialists.

Key audit matters

- Valuation and existence of investment assets

Materiality

- Overall materiality: £3,374,000 (2022: £3,455,500) based on 1% of Net Assets.
- Performance materiality: £2,530,500 (2022: £2,591,600).

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF QUILTER LIFE & PENSIONS LIMITED (continued)**

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Provision in relation to Final Plan Closure, which was a key audit matter last year, is no longer included because there has been a reduction in work performed as the provision has been almost fully paid out and it no longer remains a material provision as at 31 December 2023. Otherwise, the key audit matters below are consistent with last year.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF QUILTER LIFE & PENSIONS LIMITED (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation and existence of investment assets</i></p> <p>Refer to note 18 of the financial statements</p> <p>The investments held for the benefit of policyholders by Quilter Life & Pensions Limited comprise of level 1 and level 3 assets, with level 3 investments representing suspended funds. The financial statements show investments held for the benefit of policyholders of £43,274m as at 31 December 2023 (2022: £38,090m) of which £24.4m (2022: £25.3m) relates to level 3 assets. Due to the majority of investments being level 1, the investments are mostly straight forward financial instruments and do not require judgement in determining the valuation of the holdings. The majority of investments can be valued using observable inputs with no judgement involved.</p> <p>However, due to the magnitude of the investment balance on the financial statements as a whole this was an area of focus for our audit, both in terms of the valuation and existence of these assets.</p>	<p>Investments are principally held for the benefit of policyholders which relate solely to unit linked liabilities. As such they have been tested using a specific overall materiality level of £432.7m which we have determined based on the guidance set out in Practice Note 20 issued by the Financial Reporting Council ("FRC") for audits of insurers.</p> <p>Our work to address the valuation and existence of the investment assets included the following procedures:</p> <p>For those assets where observable publicly available prices can be obtained we have utilised our internal specialist pricing team to reprice these investment assets at 31 December 2023 and investigated any material differences identified.</p> <p>We have confirmed the existence of a sample of investment assets directly with the relevant third party (such as the fund custodian).</p> <p>We have tested the classification of the investment assets between level 1 and level 3 for the purposes of the disclosures in the financial statements.</p> <p>No issues were identified as a result of our audit procedures.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company is a single legal entity incorporated in England and Wales. The Company is run out of the United Kingdom and the Company has a designated finance function who prepare the financial statements.

We are required to perform a full scope statutory audit over Quilter Life & Pensions Limited. We have determined the scope using our set materiality levels and performed procedures over those financial statement line items which are material through the monetary threshold or material by nature.

We applied materiality of £432.7 million (2022: £380.8 million) to the audit of unit linked assets and liabilities in the Statement of financial position, the related line items in the Income statement and the related unit linked disclosure notes, determined with

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF QUILTER LIFE & PENSIONS LIMITED (continued)**

reference to a benchmark of total assets, of which it represents 1%. This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items, in accordance with FRC Practice Note 20 The audit of Insurers in the United Kingdom.

Some activities of the Company are outsourced to a third party provider, including investment and platform administration. In respect of the outsourced service provider we were able to gain appropriate audit evidence through a combination of evaluating the provider's published assurance report on internal control and performing substantive procedures.

A number of administrative services are provided to the Company by another group subsidiary, for which a recharge is received. The underlying expenses and the allocation basis on which that recharge is calculated have been tested as part of the statutory audit of that specific Group subsidiary in line with instructions provided by the Quilter plc engagement team.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£3,374,000 (2022: £3,455,500).
<i>How we determined it</i>	1% of Net assets
<i>Rationale for benchmark applied</i>	In arriving at this judgement we considered the financial measures which we believe to be most relevant to the policyholders and regulators. Given the nature of the business, we believe that policyholders and the regulators are most focused on balance sheet strength and capital held. As such, we have chosen a Statement of financial position benchmark of net assets.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £2,530,500 (2022: £2,591,600) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £120,000 (2022: £172,700) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF QUILTER LIFE & PENSIONS LIMITED (continued)**

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the directors' updated going concern assessment and challenged the rationale for assumptions on growth of assets under administration as well as asset returns. We used our knowledge of the Company's business performance, our knowledge of the impact of the wider macroeconomic environment on global equity markets, and corroborated to external market evidence where available. Our assessment included reviewing management's stress testing and scenario analyses.
- Obtained management's estimated Solvency capital position and evaluated these for consistency of available information and against management's own target capital ratios. We found that the Company maintained internal targets for its Solvency Capital Requirements ("SCR") ratio, and its forecasts to remain compliant with all external regulatory capital requirements for the period covered by the going concern assessment.
- Inquired of management regarding the impact of climate change, as well as the current uncertain economic outlook, on the business and reviewed the relevant scenario analyses performed by management.

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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF QUILTER LIFE & PENSIONS LIMITED (continued)**

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 and the Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulating growth in pre tax profits through posting of inappropriate journal entries to either increase revenue or reduce expenditure of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board Audit Committee, internal audit, management involved in the risk and compliance functions and the Quilter group's legal function, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing correspondence with the Financial Conduct Authority, Prudential Regulation Authority and HMRC in relation to compliance with laws and regulations;
- Reviewing minutes of meetings of the board of directors, as well as those from the Board Audit Committee meetings for matters of relevance to the audit;
- Assessment of matters reported on the Quilter plc's whistleblowing register that relate to the Company, including the quality and results of management's investigation of such matters;
- 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 lead to an inappropriate reduction in expenditure.
- Challenging assumptions made by management in accounting estimates and judgements, including the measurement of the deferred tax position at the year end.
- Performing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the disclosures in the Annual Report and financial statements against the specific legal requirements, for example within the Directors' Report.

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF QUILTER LIFE & PENSIONS LIMITED (continued)**

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the members on 19 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2020 to 31 December 2023.



Mark Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2024

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
INCOME			
Fee income and other income from service activities	4	132.3	118.6
Investment return	5	3,340.5	(4,312.1)
Other income		0.5	-
TOTAL INCOME		<u>3,473.3</u>	<u>(4,193.5)</u>
EXPENSES			
Change in investment contract liabilities	11	(3,313.3)	4,318.3
Commission expenses	6	(13.4)	(6.9)
Change in contract costs	10	-	0.8
Administrative expenses	7	(62.3)	(70.1)
Other expenses		(0.5)	(0.4)
TOTAL EXPENSES		<u>(3,389.5)</u>	<u>4,241.7</u>
PROFIT BEFORE TAX		<u>83.8</u>	<u>48.2</u>
Policyholder tax	9	(76.4)	134.0
Profit after policyholder tax before shareholder tax		7.4	182.2
Taxation	9	(76.9)	105.0
Less: policyholder tax		76.4	(134.0)
Shareholder tax		(0.5)	(29.0)
PROFIT FOR THE YEAR		<u>6.9</u>	<u>153.2</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>6.9</u>	<u>153.2</u>

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

The notes on pages 23 to 54 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Share capital £m	Retained earnings £m	Total shareholders' funds £m
Balance at 1 January 2022	102.0	90.3	192.3
Total comprehensive income for the year	-	153.2	153.2
Balance at 31 December 2022	102.0	243.5	345.5
Total comprehensive income for the year	-	6.9	6.9
Dividends paid	-	(15.0)	(15.0)
Balance at 31 December 2023	<u>102.0</u>	<u>235.4</u>	<u>337.4</u>

Retained earnings include capital contributions made to the Company in prior years.

The notes on pages 23 to 54 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2023

	Note	2023 £m	2022 £m
ASSETS			
Contract costs	10	6.5	6.5
Investments in collective investment schemes	14	0.8	0.7
Investments held for the benefit of policyholders	13	43,274.5	38,090.2
Other investments		-	0.1
Current tax assets		32.9	9.5
Deferred tax assets	19	-	21.5
Other receivables	15	186.7	115.5
Cash and cash equivalents	16	574.7	531.7
Total assets		<u>44,076.1</u>	<u>38,775.7</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	17	102.0	102.0
Retained earnings		235.4	243.5
Total equity attributable to equity holders		<u>337.4</u>	<u>345.5</u>
LIABILITIES			
Liabilities for linked investment contracts	11	43,395.8	38,186.0
Deferred tax liabilities	19	48.8	-
Other provisions	20	0.4	4.1
Current tax liabilities		17.3	16.1
Other payables	21	276.4	224.0
Total liabilities		<u>43,738.7</u>	<u>38,430.2</u>
Total equity and liabilities		<u>44,076.1</u>	<u>38,775.7</u>

The notes on pages 23 to 54 are an integral part of these financial statements.

The financial statements on pages 20 to 54 were authorised and approved by the Board of Directors on 5 March 2024 and signed on its behalf by:



M O Satchel
Director

Company registered number: 04163431

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1 GENERAL INFORMATION

Quilter Life & Pensions Limited ("the Company") is a private limited company limited by shares incorporated in England and Wales and domiciled in the United Kingdom ("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 page 1.

2 MATERIAL ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company for the year ended 31 December 2023 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), and in accordance with the Companies Act 2006 as applicable to companies using FRS101. The financial statements have been prepared under the historical cost convention. They have been prepared in sterling and are rounded to the nearest hundred thousand pounds.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on page 24.

The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to the presentation of a cash flow statement, contracts with customers, related party transactions and comparative information for certain types of assets. The Company has also taken advantage of the exemption from the requirement to disclose information when the Company has not applied a new accounting standard that has been issued but is not yet effective. Where required equivalent disclosures are included in the consolidated financial statements of Quilter plc.

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

IFRS 17 Insurance contracts

The Company has assessed all relevant contracts with policyholders and determined that they collectively hold no significant levels of insurance risk. Based on this assessment, it was determined that there are no contracts that will be accounted for under IFRS 17.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

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.

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 separate financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying material accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions which have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ from those estimates.

The Board reviews the reasonableness of judgements and estimates applied and the appropriateness of material accounting policies adopted in the preparation of these financial statements. The area where an estimate has the most significant effect on the amounts recognised in these financial statements is summarised below:

Area	Critical accounting estimate	Note
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 and assesses policyholder assets based on estimated investment growth over the medium term.	19

This is discussed in more detail in the relevant accounting policy and notes to the financial statements.

Significant changes in the current reporting period

There have been no significant changes in the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments

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

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 the profit or loss (“FVTPL”).

Initial measurement

A financial asset (unless it is an other 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 are applicable to the Company: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

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

Amortised cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial investments

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

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

The fair value of quoted financial investments, which represents the vast majority of the Company's investments, are based on the bid value (within the bid-ask spread) which the Company considers to be the most representative of fair value. If the market for a financial investment is not active, or an external price is not readily available, the Company establishes fair value by using valuation techniques such as recent arm's length transactions or reference to similar listed investments.

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.

Investments held for the benefit of policyholders

Investments held for the benefit of policyholders are subsequently stated mandatorily at fair value through profit or loss and reported on a separate line in the statement of financial position.

The assets are classified using the fair value through the profit or loss at initial recognition option, with any resultant gain or loss recognised in profit or loss. The changes in value are disclosed in note 13.

Investments held for the benefit of policyholders are valued at market prices on the last business day of the year.

The valuation bases at the reporting date were as follows:

- Fixed interest and index-linked securities are valued at quoted bid prices;
- Equities and investment trusts are valued at quoted bid prices;
- Unit trusts are valued at quoted bid prices;
- Open Ended Investment Company (OEIC) assets are single priced funds and are valued at the quoted net asset value per share.

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.

Investments in collective investment schemes

Investments in collective investment schemes are recognised mandatorily at fair value initially and subsequently, with any resultant gain or loss recognised in profit or loss. Investments in collective investment schemes comprise the Company's short term holdings of units, resulting from daily transactions between the Company and its policyholders.

Holdings in unit trusts are valued at quoted bid price for long positions and quoted offer price for short positions. OEIC assets are single priced funds and are valued at the quoted net asset value per share. Suspended funds are valued using the last published price, which in many cases are available daily.

Other investments

Other investments are shareholder investments that are classified as 'designated at fair value through profit or loss' at initial recognition and are stated at quoted bid prices which equates to fair value, with any resultant gain or loss recognised in profit or loss. They comprise UK Government fixed interest securities that were initially held to back the deferred tax liability.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

2 MATERIAL 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. For unit-linked contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio, that mirrors the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis. Other financial liabilities, including other payables, are measured at amortised cost using the effective interest method.

Other payables and receivables

Other 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 subsidiary undertakings

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 profit or loss 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 investments in equity instruments. Financial assets at amortised cost include other receivables, intercompany loan receivables and cash and cash equivalents (excluding money market collective investment funds which are measured at fair value).

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

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").

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

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

Impaired financial assets:

Stage 3

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

Application of the impairment model

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

- Other receivables (which are of a trading nature), 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.
- Intercompany loan receivables and cash and cash equivalents, to which the general three-stage model (described above) is applied, whereby a 12-month ECL is recognised initially and the balance is monitored for significant increases in credit risk which would trigger the recognition of a Lifetime ECL allowance.

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

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Company has implemented its impairment methodology for estimating the ECL, 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 with any change in the loss allowance recognised in expenses.

Product classification

Investment contracts do not meet the definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the insurer. Unit-linked investment contracts are separated into two components being an investment management services component and a financial liability. The financial liability component is designated at FVTPL as it is managed on a fair value basis, and its value is directly linked to the market value of the underlying portfolio of assets. The Company does not share

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

in the explicit returns of the assets held by the policyholder, apart from secondary exposure to future annual management fees that the Company expects to receive over the life of the policy.

Contract costs

Incremental costs that are directly attributable to securing unit-linked investment contracts are deferred and recognised as contract costs if they can be identified separately and measured reliably and it is probable that the costs will be recovered. Contract costs are linked to the contractual right to benefit from providing investment management services, they are therefore amortised through expenses as the related revenue is recognised. The period of amortisation is 12 years, which reflects the average term that policies stay within the business.

After initial recognition, contract costs are reviewed by category of business and are impaired to the extent that they are no longer considered to be recoverable. All other costs are recognised as expenses when incurred.

Other provisions

Provisions are recognised when the Company has an obligation, legal or constructive, as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are estimated as the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present values where the effect is material.

Fee income and other income from service activities

Fee income and other income from service activities represents 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.

The table below summarises the types of fee income generated by the Company:

Type of fee	Description
Fund based fees	This is periodic fee income based on the market valuation of the investment contracts. They are calculated and recognised on a daily basis in line with the provision of investment management services.
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. These are recognised on receipt.
Other fee income	Other fee income consists primarily of charges taken from unit-linked funds to meet future policyholder tax liabilities. Depending on the nature of the tax liability, the charges are either recognised at the point a transaction occurs on the unit-linked fund, or annually.

Investment return

Investment gains and losses

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

Investment income

Investment income includes distributions from investments held for the benefit of policyholders. Investment income also includes interest income which is accrued on a daily basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Capital contributions

Capital contributions represent the amount received from the parent company and are reflected within equity as there is no obligation to repay the contribution nor is there any interest payable on the contributions. Capital contributions are distributable reserves.

Administrative expenses and other expenses

All expenses are recognised as a cost when incurred.

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years.

Current tax is charged or credited to profit or loss, 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, and is charged or credited to profit or loss except when it relates to items recognised directly in equity or in other comprehensive income.

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.

Policyholder tax

Certain products are subject to tax on policyholder's investment returns. This 'policyholder tax' is an element of tax expense. For clarity, tax attributable to policyholder returns and tax attributable to shareholder profits are disclosed separately.

The tax attributable to policyholder returns is the amount payable in the year plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to shareholder profits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES

Risk management framework

The Company has adopted the Quilter Risk Management framework as articulated in the Risk Review section of the Quilter plc Annual Report. This 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.

The risks faced by the Company are described below:

Market risk

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

The Company has adopted the Quilter Market Risk Policy which sets out the market risk management governance framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements.

The Company does not undertake any principal trading for its own account. The Company's revenue is however affected by the value of assets under administration and consequently it has exposure to equity market levels and economic conditions. Scenario testing is undertaken to test the resilience of the business to severe but plausible events and to assist in the identification of management actions.

The sensitivity of future earnings to the values of and income from investments is regularly monitored through sensitivity analysis performed for business planning purposes.

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, except where the exposure arises due to:

- temporary, short-term holding of collectives in respect of contractual payments made to clients where the underlying policyholder asset is held in suspended funds. The balance held at the end of 2023 is not considered to be material; and
- seed capital investments. Seed capital is invested within new unit-linked funds at the time these funds are launched. The seed capital is then withdrawn from the funds as policyholders invest in the funds.

Excluding the above, equity assets are all held indirectly through collective investments to back unit-linked liabilities.

The Company derives revenues (e.g. annual management charges) and incurs costs (e.g. asset-based outsource costs) which are linked to the value of the underlying assets. Therefore future earnings will be affected by equity and property market performance.

The sensitivity of profit to changes in equity and property prices is given in the sensitivity analysis provided later in this section.

Interest rate risk

Interest rate risk arises primarily from exposure to movements in the value of fixed interest securities, which are held indirectly (through collective investments) for the benefit of policyholders, movements in interest earned on company cash deposits and the margin retained on policyholder cash deposits.

A rise in interest rates would cause an immediate fall in the value of investments in fixed income securities within unit linked funds, resulting in a fall in fund-based fees.

However, a rise in interest rates would enable a higher return on new investments, which in turn would cause unit linked asset

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

values to grow more quickly and so fund-based fees may be higher in the longer term.

A rise in interest rates would also result in higher interest earned on company cash deposits and a higher margin retained on policyholder cash deposits.

The sensitivity of profit to changes in interest rates is given in the sensitivity analysis.

Interest rates applicable to shareholder interest bearing financial instruments as at the reporting date

	2023	2023	2022	2022
	Fixed	Variable	Fixed	Variable
Assets:				
Bonds	-	-	2.25%	-
Deposits with credit institutions	-	5.15%	-	3.12%

Currency risk

The Company is not exposed to direct currency risk and holds no foreign currency balances. However, the Company is exposed to currency risk indirectly through fund-based fees derived from unit-linked funds that hold assets denominated in foreign currencies. Therefore, a movement in exchange rates would affect the value of future fund-based fees received by the Company.

The sensitivity of profit to movements in exchange rates is given in the sensitivity analysis.

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

The credit risk arising from all exposures is mitigated through ensuring the Company only enters into relationships with appropriately robust counterparties, adhering to the 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 potential recovery, which may be made in the event of default; and
- any second order risks that may arise where the Company holds collateral against the credit risk exposure.

Credit risk exposures 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 2023, the Company's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to Eurozone sovereign debt (outside of the UK) within the Company's shareholder investments.

The Company has no significant concentrations of credit risk exposure.

Investment of Company's funds

The risk of counterparty default in respect of the investment of the Company's funds is managed through:

- setting minimum credit rating requirements for counterparties;
- setting limits and key risk indicators for individual counterparties and counterparty concentrations;

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

- monitoring exposures regularly against approved limits; and
- ongoing monitoring of counterparties and associated limits.

Spread risk

Similar to equity risk, spread risk reflects the potential loss of future revenue resulting from adverse movements in credit spreads, negatively affecting the market value of corporate bonds, held indirectly through collective investments backing unit-linked liabilities.

Since Assets under Administration contain corporate bonds, when the spread on these bonds widen, their value falls, decreasing future fund-based revenues.

Other credit risks

The Company is exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

Legal contracts are maintained where the Company enters into credit transactions with a counterparty.

Impact of credit risk on fair value

Due to the Company's limited credit risk exposure, 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 predominantly due to changes in market conditions.

Maximum exposure to credit risk

Credit ratings for financial instruments are included in the relevant notes. The Company's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the accounts.

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 Company to trade in illiquid assets in order to maintain its asset/liability matching (ALM) profile.

The Company manages liquidity on a daily basis through:

- maintaining adequate high-quality liquid assets and banking facilities that are readily available, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows; and
- monitoring of key risk indicators to help in the identification of a liquidity stress.

The Company maintains and manages its local liquidity requirements according to its business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy and Group Liquidity Risk Appetite Statement. The framework is applied consistently across all businesses in the Group 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 the Company if required. The Company has a contingency funding plan in order to set out the approach and management actions that would be taken should liquidity levels fall below the liquidity risk appetite thresholds.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Information on the nature of the investments and securities held is given in notes 13 and 14.

Maturity schedule

The maturity dates of financial liabilities are shown below.

	<3 months £m	3-12 months £m	1-5 years £m	>5 years £m	Total £m
2023					
Liabilities for linked investment contracts	43,395.8	-	-	-	43,395.8
Other payables	276.3	-	-	-	276.3
	43,672.1	-	-	-	43,672.1
2022					
Liabilities for linked investment contracts	38,186.0	-	-	-	38,186.0
Other payables	223.9	-	-	-	223.9
	38,409.9	-	-	-	38,409.9

Liabilities for linked investment contracts are classified as less than three months maturity; whilst the Company does not expect all liabilities to be settled within this period, the terms of the contracts allow the policyholders to redeem their policies at any time.

Operational risk

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

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

Operational risks are managed in accordance with the Group Operational Risk Policy and related standards consistent with the Risk Management Framework, which has been adopted by the Company. Operational risk exposure is measured primarily through scenario assessments which use internal and external loss event data, Risk and Control Self Assessments, and expert judgement provided by the key subject matter experts. Resultant exposures are evaluated against the Company's risk appetite which is the process that drives operational risk reporting and management action.

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

The Board has 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 resolve issues identified.

Risk and capital management

The potential impacts of risks on the capital resources and future profits of the Company are assessed regularly in order to assess the financial resilience of the business. Market and insurance risks are assessed through stress and scenario tests applied relative to

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

business plan financial projections and the assumptions used to value statement of financial position liabilities. Operational risks are assessed using scenario-based risk assessments, constructed using expert judgement and informed by review of the risk control processes in place, internal and external event data, key risk indicators and internal audit reports. Credit risks are assessed by determining the financial exposure to material counterparties and the likelihood of default of these counterparties. Credit ratings are used to assess the likelihood of default.

The Group Capital Management Policy sets out the key considerations and restrictions with regard to the amount of capital that is retained.

Capital is managed to the Company's solvency target which is set to ensure that the Company can maintain its own funds above the Solvency Capital Requirement under plausible but severe stresses. In addition, the Company maintains working capital to provide for fluctuations in experience and to meet strategic objectives.

The Company has met the regulatory requirement for capital throughout 2023 and 2022 under the SII regulatory regime. The Company's own funds, on a Solvency II basis are £650.2m (unaudited) (2022: £564.4m). In both years own funds have exceeded its internal solvency target.

The Own Risk and Solvency Assessment (ORSA) process is used to assess the level of capital which should be retained by the Company. This process considers all of the risks faced by the Company and the degree to which risks have similar or related causes, and so could occur together.

Capital assessment and scenario testing results are used to inform strategic decisions such as allocation of development budgets between initiatives to generate new business and to manage risk in respect of existing business.

The Company uses a variety of metrics to monitor its capital position including statutory capital and reserves, which are £337.4m as at 31 December 2023 (2022: £345.5m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Sensitivity tests

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position at 31 December 2023 and statement of comprehensive income for the year ended 31 December 2023.

Interest rates

The impact of an increase and decrease in market interest rates of 1% is tested (e.g. if the current interest rate is 5%, the test allows for the effects of an instantaneous change to 4% and 6% from the reporting date). The test allows consistently for similar changes in investment returns and movements in the market value of UK government bonds. The sensitivity of both profit and shareholder's equity to interest rates is provided.

A 1% rise in interest rates would impact the value of linked funds and therefore impact the fee income that is based on the market value of the investments held for the policyholders. The linked funds would move by around 1.2% as a shift of 1% in gilt yields moves gilt market values by 4.4%, but only 27.9% of linked policyholder assets are fixed interest assets such as bonds and gilts.

An increase in interest rates of 1% would have increased the profit and increased shareholder's equity by £2.8m after tax (2022: £3.6m). An equal change in the opposite direction would have decreased the profit and decreased shareholder's equity by £2.8m after tax (2022: £3.6m).

Equity/property

A movement in equity and property prices would impact the fee income and expenses that are based on the market value of the investments held for the benefit policyholders. Any impact on the market value of the investments held for the benefit of policyholders would result in an equal and opposite impact on the value of liabilities for unit-linked investment contracts. In this analysis, all linked renewal commission is assumed to be fund based. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year.

An increase in equity and property prices of 10% would have increased the profit by £6.6m after tax (2022: £8.2m). An equal change in the opposite direction would have reduced the profit by £6.6m after tax (2022: £8.2m).

Exchange rates

Within unit-linked funds, there are underlying assets held which are denominated in foreign currency. The value of these assets will be impacted by movements in exchange rates and will therefore impact the fee income generated from policyholders that is based on the market value of these funds. A 5% increase in the value of sterling would adversely impact the value of linked funds by approximately 3.5%, as assets denominated in foreign currency make up 66.1% of the total value.

A 5% increase in the value of sterling against foreign currencies would reduce profit by £2.5m after tax (2022: £2.7m). An equal change in the opposite direction would have increased the profit by £2.5m after tax (2022: £2.7m).

Expenses

The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts. The only administrative expenses that are deferrable are sales bonuses but as new business volumes are unchanged in this sensitivity, sales bonuses and the associated deferrals have not been increased, therefore there are no impacts on the statement of financial position balances. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase. Administrative expenses have been allocated equally between life and pensions.

An increase in expenses of 10% would have reduced the profit by £4.8m after tax (2022: £5.7m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

4 FEE INCOME AND OTHER INCOME FROM SERVICE ACTIVITIES

	2023 £m	2022 £m
Investment contracts		
Fund based fees	113.0	108.7
Fixed fees	1.5	1.6
Other fee income	17.8	8.3
	<u>132.3</u>	<u>118.6</u>

Other fee income consists primarily of charges taken from unit-linked funds to meet future policyholder tax liabilities.

5 INVESTMENT RETURN

	2023 £m	2022 £m
Interest and similar income		
Loans	2.3	0.5
Cash and equivalent	25.4	5.7
	<u>27.7</u>	<u>6.2</u>
Gains and losses on financial instruments at FVTPL		
Financial instruments mandatorily recognised at FVTPL	3,312.8	(4,318.3)
	<u>3,312.8</u>	<u>(4,318.3)</u>
	<u>3,340.5</u>	<u>(4,312.1)</u>

The above investment returns arise on both shareholder and policyholder investments and comprise investment income together with realised and unrealised gains and losses on investments held at FVTPL.

Interest included within interest and similar income arise on shareholder investments. Interest included in gains and losses on financial instruments at FVTPL arise from investments held for the benefit of policyholders.

Included within gains and losses on financial instruments at FVTPL is £30.4m of interest received by the Company, of this amount, £25.1m was paid to policyholders and is reflected through change in investment contract liabilities.

Included within cash and cash equivalents is £18.8m interest arising from assets recognised mandatorily at FVTPL (2022: £4.9m). The remainder is recognised at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

6 COMMISSION EXPENSES

	2023 £m	2022 £m
Investment management fees	7.6	-
Renewal commission	5.8	6.9
	<u>13.4</u>	<u>6.9</u>

Investment management fees are in respect of investment management services provided for a range of managed portfolios by Quilter Investment Platform Limited, a fellow group undertaking.

7 ADMINISTRATIVE EXPENSES

	2023 £m	2022 £m
Administrative expenses	<u>62.3</u>	<u>70.1</u>
Administrative expenses include:		
Management fees paid to fellow group undertakings	61.5	62.9
Of which:		
Auditors remuneration	<u>0.2</u>	<u>0.2</u>

Auditors remuneration represents services paid to PricewaterhouseCoopers LLP. The amounts paid in respect of statutory audit fees were £0.1m in 2023 (2022: £0.1m).

In addition to the above, the Company incurred a recharge of £0.1m (2022: £0.1m) from the Group in relation to audit work performed over regulatory returns for which the Company is a component of the Group but no external audit opinion issued over the Company.

Management fees are in respect of management services and fixed assets, which are provided by Quilter Business Services Limited, a fellow group undertaking. This management fee is charged at cost.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

8 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

Directors' emoluments shown below are included in management fees charged by Quilter Business Services Limited, the employing entity of the directors, payable to fellow subsidiary undertakings shown in note 7.

	2023 £m	2022 £m
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	0.2	0.3
Aggregate share based payments	0.1	0.1

During the year ended 31 December 2023, the aggregate value of contributions to directors' pension schemes was £5k (2022: £3k).

3 directors, including the highest paid director had money paid to money purchase schemes during the year (2022: 2, including the highest paid director).

None of the directors, including the highest paid director received or were due to receive shares or share options in Quilter plc under a long term incentive scheme (2022: 2, including the highest paid director). 3 directors, including the highest paid director (2022: 2, including the highest paid director) exercised options during the year.

	2023 £m	2022 £m
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	0.1	0.2

During the year ended 31 December 2023, the value of contributions to the highest paid director's pension scheme was £1k (2022: £1k) and the value of share based payments to the highest paid director was £38k (2022: £79k).

The above disclosure includes the remuneration of the Directors in relation to their services to this company. The remuneration for each director is apportioned on the basis of time spent across the companies of which they are a director.

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

The products within the Company 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 £0.1m (2022: £10k) to pensions and investments (in both internal and external funds). The total value of investments in pensions and investment products by key management personnel serving at any point during the year and their close family members was £2.2m (2022: £0.9m) at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

9 TAXATION

	2023	2022
	£m	£m
Total tax charged/(credited) to the profit and loss		
Shareholder taxation		
Current tax		
United Kingdom	1.8	23.9
Adjustments to current tax in respect of prior periods	2.7	0.6
Total current tax charge	<u>4.5</u>	<u>24.5</u>
Deferred tax		
Origination and reversal of temporary differences	-	3.9
Effect on deferred tax of changes in tax rates	(1.0)	1.3
Adjustments to deferred tax in respect of prior periods	(3.0)	(0.7)
Total deferred tax (credit)/charge	<u>(4.0)</u>	<u>4.5</u>
Total shareholder tax charge	<u>0.5</u>	<u>29.0</u>
Policyholder taxation		
Current tax		
United Kingdom	1.8	-
Adjustments to current tax in respect of prior periods	0.3	(0.6)
Total current tax charge/(credit)	<u>2.1</u>	<u>(0.6)</u>
Deferred tax		
Origination and reversal of temporary differences	77.4	(133.2)
Adjustments to deferred tax in respect of prior periods	(3.1)	(0.2)
Total deferred tax charge/(credit)	<u>74.3</u>	<u>(133.4)</u>
Total policyholder tax charge/(credit)	<u>76.4</u>	<u>(134.0)</u>
Total tax charged/(credited) to the profit and loss	<u>76.9</u>	<u>(105.0)</u>
Reconciliation of total income tax expense/(credit)		
The income tax charged/(credited) 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:		
Profit before tax	83.8	48.2
Corporation tax charge at 23.5% (2022: 19%)	19.7	9.2
Effect of:		
Dividends received not taxable	-	(6.9)
Adjustments to current tax in respect of prior years	3.0	-
Effect on deferred tax for changes in tax rates	(1.0)	1.3
Adjustments to deferred tax in respect of prior years	(6.1)	(0.9)
Policyholder taxes (deductible)/taxable in computing shareholder tax	(17.9)	25.4
Policyholder tax	79.2	(133.1)
Total tax charged/(credited) to the profit and loss	<u>76.9</u>	<u>(105.0)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

9 TAXATION (continued)

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%.

Policyholder tax

Certain products are subject to tax on policyholders' investment returns. This 'policyholder tax' is an element of total tax expense. To make the tax expense more meaningful, policyholder and shareholder tax are shown separately in the statement of comprehensive income.

Policyholder tax is the amount payable in the year plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders.

The Company's income tax charge was £76.9m for the year ended 31 December 2023, compared to a credit of £105.0m for the prior year. This income tax expense/credit can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Company's profit before tax.

Market movements during the year ended 31 December 2023 resulted in investment gains of £298m on products subject to policyholder tax. The gain is a component of the total 'investment return' of £3,340.5 shown in the statement of comprehensive income. The impact of the £298m investment gain is the primary reason for the £76.4m policyholder tax charge for the year ended 31 December 2023 (2022: £134.0m credit).

The Company has recognised deferred tax assets as disclosed in note 19. The Company considers that future years' profits will be sufficient to utilise the tax asset carried forward.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

10 CONTRACT COSTS

	2023 £m	2022 £m
Opening balance	6.5	5.7
Capitalisation of contract costs	0.7	1.5
Amortisation of contract costs	<u>(0.7)</u>	<u>(0.7)</u>
Change in contract costs	-	0.8
Closing balance	<u>6.5</u>	<u>6.5</u>
Current	1.0	0.7
Non-current	<u>5.5</u>	<u>5.8</u>
	<u>6.5</u>	<u>6.5</u>

The recoverability of contract costs is impairment tested with reference to the present value of estimated future profits at the reporting date calculated using actuarial methodology and assumptions. No impairment was required in the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

11 LIABILITIES FOR LINKED INVESTMENT CONTRACTS

	2023 Gross £m	2022 Gross £m
At fair value through profit or loss		
Unit-linked liabilities	<u>43,395.8</u>	<u>38,186.0</u>
 Analysis of change in liabilities for linked investment contracts		
	2023 Gross £m	2022 Gross £m
Opening balance	38,186.0	41,070.5
Fair value movements	2,527.9	(4,877.6)
Investment income	<u>785.4</u>	<u>559.3</u>
Movements arising from investment return	3,313.3	(4,318.3)
Contributions received	5,361.4	4,424.2
Withdrawals and surrenders	(3,211.8)	(2,758.6)
Claims and benefits	(245.1)	(219.1)
Other movements	<u>(8.0)</u>	<u>(12.7)</u>
Closing Balance	<u>43,395.8</u>	<u>38,186.0</u>

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected collective fund investments whose underlying investments include equities, debt securities, property and derivatives. This investment mix is unique to individual policyholders.

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

Assumptions

For unit-linked business, the unit liabilities are determined as the value of units credited to policyholders. Since these liabilities are determined on a retrospective basis no assumptions for future experience are required. Assumptions for future experience are required for unit-linked business in assessing whether the total of the contract costs asset is greater than the present value of future profits expected to arise on the relevant blocks of business (the 'recoverability test'). If this is the case, then the contract costs asset is restricted to the recoverable amount. For linked contracts, assumptions are on a best estimate basis.

All liabilities are current as policyholders can redeem at any point in time.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

12 INVESTMENTS IN SUBSIDIARIES

The Company holds one ordinary share of £1 in Quilter Pension Trustees Limited ('QPTL'), which comprises the total share capital of QPTL. The investment is valued at original cost of £1 (2022: £1) and due to materiality it is not shown separately on the statement of financial position.

Quilter Pension Trustees Limited is incorporated in England & Wales and its registered office address is: Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

Its principal activity is to act as trustee for the Personal Pension Scheme, offered by the Company.

13 INVESTMENTS HELD FOR THE BENEFIT OF POLICYHOLDERS

	2023 £m	2022 £m
At FVTPL		
Pooled investments	<u>43,274.5</u>	<u>38,090.2</u>

These assets are held to cover the liabilities for linked investment contracts as shown in note 11. All amounts are current and are recognised mandatorily at FVTPL.

The difference between linked assets and linked liabilities is principally due to short term timing differences between policyholder premiums being received and invested, and withdrawals awaiting settlement from underlying funds.

14 INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES

	2023 £m	2022 £m
At FVTPL		
Investment in collective investment schemes (mandatorily at FVTPL)	<u>0.8</u>	<u>0.7</u>

These investments are current and individually insignificant. Therefore any difference between cost and fair value is minimal. The net profit (2022: loss) on these investments is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

15 OTHER RECEIVABLES

	2023 £m	2022 £m
Due from group undertakings	72.6	52.4
Other taxes and social security	8.1	7.1
Accrued interest	3.2	1.8
Investment settlements outstanding	96.2	49.0
Other	6.6	5.2
	<u>186.7</u>	<u>115.5</u>
To be recovered within 12 months	<u>186.7</u>	<u>115.5</u>

‘Other’ principally comprises amounts due from policyholders and fund managers.

There has been £0.4m of impairment applied to ‘other receivables’ in the financial year (2022: £0.2m). None of the receivables reflected above have been subject to a renegotiation of terms.

All amounts due from group companies are unsecured, interest free, and are settled monthly in cash, apart from a £50m loan (2022: £30m) issued to Quilter UK Holding Limited which is settled on demand. The loan is unsecured and attracts a commercial rate of interest based on the Bank of England rate plus margin. During the year to 31 December 2023 the loan accrued approximately £2.3m of interest (2022: £0.5m).

All amounts are current, short term and recognised at amortised cost, with their carrying amount approximating to fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

16 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Bank balances	134.2	117.8
Money market OEIC investments	440.5	413.9
Cash and cash equivalents	<u>574.7</u>	<u>531.7</u>

All cash and cash equivalents are current, and recognised at amortised cost, apart from money market OEIC investments, which are recognised mandatorily at FVTPL.

Investments in money market OEICs are classified as cash and cash equivalents. Management hold these investment funds for short term liquidity purposes. The funds are highly liquid, have a AAA credit rating and a very low risk of reduction in value.

Bank balances are credit rated AA and A.

Bank overdrafts are used to fulfil short term liquidity needs and are repayable on demand. Individual bank accounts are permitted to be overdrawn subject to the aggregate balance across all accounts being at least zero.

17 SHARE CAPITAL

	2023 £m	2022 £m
Allotted, called up and fully paid 102,000,001 (2022: 102,000,001) ordinary shares of £1 each	<u>102.0</u>	<u>102.0</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

18 FINANCIAL INSTRUMENTS AT FAIR VALUE

Fair value hierarchy

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

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

The following statement of financial position captions contain financial instruments that have been analysed into the three specified levels described above:

Assets - investments held for the benefit of policyholders, investments in collective investment schemes, other investments and cash and cash equivalent.

Liabilities - liabilities for linked investment contracts.

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<u>Financial assets mandatorily at FVTPL</u>				
- Investments and securities held for benefit of policyholders	43,250.5	-	24.0	43,274.5
- Holdings in collective investment schemes	0.3	-	0.5	0.8
- Money market OEIC investments	440.5	-	-	440.5
Total financial assets recognised at FVTPL	43,691.3	-	24.5	43,715.8
<u>Financial liabilities designated at FVTPL</u>				
- Long term business policyholder liabilities	43,371.8	-	24.0	43,395.8
2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<u>Financial assets mandatorily at FVTPL</u>				
- Investments and securities held for benefit of policyholders	38,064.9	-	25.3	38,090.2
- Holdings in collective investment schemes	0.3	-	0.4	0.7
- Money market OEIC investments	413.9	-	-	413.9
	38,479.1	-	25.7	38,504.8
<u>Financial assets designated at FVTPL</u>				
- Bonds and other fixed income securities	0.1	-	-	0.1
Total financial assets recognised at FVTPL	38,479.2	-	25.7	38,504.9
<u>Financial liabilities designated at FVTPL</u>				
- Long term business policyholder liabilities	38,160.7	-	25.3	38,186.0

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

18 FINANCIAL INSTRUMENTS AT FAIR VALUE (continued)

Level 1 to 2 transfers

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

Reconciliation of Level 3 fair value measurements of financial assets:

Level 3 assets comprise suspended funds in linked policyholder investments and held within the Company's collective investments.

	2023	2022
	£m	£m
Fair value through profit or loss		
Investments and securities:		
Opening balance	25.7	24.4
Losses recognised in income	(0.5)	(2.1)
Transfers into level 3	20.1	119.0
Transfers out of level 3	(20.8)	(115.6)
Closing balance	<u>24.5</u>	<u>25.7</u>

Level 3 Fair value hierarchy disclosure

The level 3 assets reported represent suspended funds. Prices are available daily for these funds, however, since they cannot be actively traded they are given a level 3 status.

For suspended assets held within linked policy funds, the investment risk is borne by policyholders and the value of these assets is exactly matched by a corresponding liability due to policyholders. The Company bears no risk from a change in the market value of these assets except to the extent that it has an impact on management fees earned.

For suspended assets held within collective investment schemes, the risk is borne by the Company.

Reconciliation of Level 3 fair value measurements of financial liabilities:

Level 3 liabilities comprise linked long term business policyholder liabilities matching policyholders' investments in suspended funds.

	2023	2022
	£m	£m
Long term business policyholders liabilities:		
Opening balance	25.3	24.0
Losses recognised in income	(0.5)	(2.1)
Transfers into level 3	20.0	118.9
Transfers out of level 3	(20.8)	(115.5)
Closing balance	<u>24.0</u>	<u>25.3</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

18 FINANCIAL INSTRUMENTS AT FAIR VALUE (continued)

Structured entities

The table below summarises the types of structured entities in which the Company holds an interest:

<i>Type of structured entity</i>	<i>Nature</i>	<i>Purpose</i>	<i>Interest held by the Company</i>
Investments in collective investment schemes	Manage company funds through the investment of assets	To support contractual payments to policyholders who are invested in suspended funds.	Investments in units issued by the fund
Investments held for the benefit of policyholders	Manage policyholder funds through the investment in assets	Generate fees on behalf of third-party investors	Investments in units issued by the fund
Money market funds	Manage company funds through the investment in assets	Generate interest from managing assets	Investment in units issued by the fund

Investments in unconsolidated structured entities

The table below sets out the investments held by the Company in unconsolidated structured entities. This represents the ownership of collective investment vehicles that have a narrow and well defined objective, which are purchased to match the liabilities to policyholders in respect of their linked fund investment choices. The maximum exposure to losses is equal to the carrying amount of assets held, except for the investments held for the benefit of policyholders, where these are offset by the equivalent liabilities to policyholders in respect of linked investment contracts.

	Investment securities £m
As at 31 December 2023	
Investments in collective investment schemes	0.8
Investments held for the benefit of policyholders	42,500.4
Money market funds	440.5
	<u>42,941.7</u>
As at 31 December 2022	
Investments in collective investment schemes	0.7
Investments held for the benefit of policyholders	37,347.0
Money market funds	413.9
	<u>37,761.6</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

18 FINANCIAL INSTRUMENTS AT FAIR VALUE (continued)

Master netting or similar agreements

The Company offsets financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis or simultaneously. The only such offsetting relates to the pooling of bank accounts and, in some circumstances a bank account may be overdrawn and therefore offset.

The following table presents information on the potential effect of netting offset arrangements after taking into consideration these types of agreements.

	Gross amount £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
2023			
Financial assets - cash and cash equivalents	622.7	(48.0)	574.7
Financial liabilities - Amounts owed to banks	(48.0)	48.0	-
2022			
Financial assets - cash and cash equivalents	593.6	(61.9)	531.7
Financial liabilities - Amounts owed to banks	(61.9)	61.9	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

19 DEFERRED TAX

Recognised deferred tax assets and liabilities

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

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

	Tax losses £m	Deferred expenses & Excess expenses £m	Provisions £m	Investment gains £m	Transitional adjustment £m	Contract assets £m	Closing deferred tax asset/(liability) £m
Policyholder deferred tax							
Assets/(liabilities) at 1 January 2022	-	5.6	-	(119.6)	0.2	(0.2)	(114.0)
Tax (charge)/credit to profit and loss	-	44.1	-	89.4	(0.2)	0.1	133.4
Assets/(liabilities) at 31 December 2022	-	49.7	-	(30.2)	-	(0.1)	19.4
Tax charge to profit and loss	-	(46.0)	-	(28.3)	-	-	(74.3)
Assets/(liabilities) at 31 December 2023	-	3.7	-	(58.5)	-	(0.1)	(54.9)
Shareholder deferred tax							
Assets/(liabilities) at 1 January 2022	6.9	-	-	-	(0.3)	-	6.6
Tax (charge)/credit to profit and loss	(4.8)	-	-	-	0.3	-	(4.5)
Assets at 31 December 2022	2.1	-	-	-	-	-	2.1
Tax credit to profit and loss	4.0	-	-	-	-	-	4.0
Assets at 31 December 2023	6.1	-	-	-	-	-	6.1
Total deferred tax asset/(liability)							
Assets/(liabilities) at 31 December 2022	2.1	49.7	-	(30.2)	-	(0.1)	21.5
Assets/ (liabilities) at 31 December 2023	6.1	3.7	-	(58.5)	-	(0.1)	(48.8)

For the year ended 31 December 2023, Deferred expenses & Excess expenses above of £3.7m includes Deferred expenses of £3.7m (2022: £4.9m) and Excess expenses of £0.0m (2022: £44.8m).

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

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

Sensitivity analysis demonstrates headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the business plan period. The impact of a 20% decrease in profitability has been assessed and does not give rise to concerns over recoverability.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

19 DEFERRED TAX (continued)

Unrecognised deferred tax assets

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

	31 December 2023		31 December 2022	
	Gross amount £m	Tax £m	Gross amount £m	Tax £m
Capital losses	347.3	86.8	347.3	86.8
Total unrecognised deferred tax assets	347.3	86.8	347.3	86.8

A deferred tax asset has not been recognised as there is sufficient uncertainty to the extent it is probable there will be future taxable gains to utilise the losses. Unrecognised losses are available to carry forward with no expiry date, subject only to the continuation of the business.

20 OTHER PROVISIONS

	£m
Balance at 1 January 2022	1.2
Additions in the year	6.2
Utilisation	(2.5)
Release of unused provision	(0.8)
Balance at 31 December 2022	4.1
Additions in the year	0.1
Utilisation	(3.7)
Release of unused provision	(0.1)
Balance at 31 December 2023	0.4

A provision of £0.4m (2022: £3.9m), included within the balance, related to Final Plan Closure (“FPC”) receipts previously recognised as revenue between 2013 and 2021 for distributions the Company received from investments for customers who had previously closed their accounts. FPC receipts represent distributions, including tax gross ups where relevant, and rebates received after a customer has left the Quilter platform, which the Terms and Conditions of the pension and insured bonds legally entitled the Company to retain. A review in 2022 led to a change in business policy, and the Company made the decision to voluntarily return these amounts to those impacted customers backdated to inception, with an appropriate interest rate applied to the balances owed. A provision of £6.1m was initially recognised in 2022, and payments of £3.5m (2022: £2.2m) have been made to customers during the year.

£0.1m of provisions raised in the prior year, relating to system defects leading to the underpayment of adviser fees, was utilised during the year.

Provisions represent best estimates based upon management’s view of expected outcomes on specific events. These provisions are expected to be utilised in the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

21 OTHER PAYABLES

	2023 £m	2022 £m
Investment settlements outstanding	138.2	135.0
Due to policyholders	81.9	50.8
Due to fellow group undertakings	42.8	26.3
Other taxes and social security costs	7.6	6.2
Other	5.9	5.7
	<u>276.4</u>	<u>224.0</u>

All amounts are current, unsecured and interest free. Amounts due to group companies are unsecured, interest free and are settled monthly.

The balance is recognised at amortised cost, apart from £0.1m (2022: £0.1m) which is recognised as a non-financial liability.

22 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments as at 31 December 2023 (2022: £nil).

23 EVENTS AFTER THE REPORTING DATE

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

24 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2023 (2022: £nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

25 ULTIMATE PARENT COMPANY

The Company is fully owned by Quilter UK Holding Limited, its immediate parent registered in England & Wales.

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

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