Registered in England and Wales No. 03903856

Commsale 2000 Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2019

Commsale 2000 Limited

Contents

COMPANY INFORMATION

DIRECTORS

K S Lee-Crossett
M O Satchel

SECRETARY

Quilter CoSec Services Limited

BANKER

National Westminster Bank Plc
68 Above Bar Street
Southampton
SO14 7DS

REGISTERED OFFICE

Millennium Bridge House
2 Lambeth Hill
London
EC4V 4AJ

REGISTERED NUMBER

England and Wales
No. 03903856

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

STRATEGIC REPORT

The directors present their report for the year ended 31 December 2019.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES
The principal activity of the Commsale 2000 Limited ("the company") is that of property letting and management.

The company is part of the Quilter plc group ("the group"). Quilter plc's ("Quilter") ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the company with strategic and governance oversight. The company forms part of the Head office function of Quilter plc.

During 2019, the Quilter group announced the consolidation of its London properties and as a result, the lease on the current London head office building, held by the company and underpinning the majority of its transactions, will not be renewed. The current lease expires on 29 September 2020, at which point a new lease agreement for a new head office building will be entered into by Quilter Business Services Limited, a fellow undertaking that forms part of the group. As a result of this decision, the financial statements have not been prepared on a going concern basis.

On 11 March 2020, a coronavirus ("COVID-19") was recognised by the World Health Organisation as a global pandemic. COVID-19 has caused widespread uncertainty and will impact global supply chains, global market growth and employee availability over the next few years. The group will be adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks depending on the extent of employment availability.

The group has implemented operating plans in response to the challenges arising from COVID-19, including 98% of Quilter's staff now working remotely and the accelerated delivery of IT and remote telephony solutions allowing Quilter to maintain high client service levels and to support advisers and customers.

The group has reviewed its financial budgets and operating plans in response to the challenges arising from COVID-19 and an unpredictable operating outlook. Quilter is operationally resilient and remains focused on completing principal projects. Given the uncertainty and expected lower assets under management (AuMA) leading to lower run-rate of revenues, the group is undertaking a number of management actions to reduce expenses and have acknowledged that operating margin results will be below previously announced targets. The group has no plans to take advantage of any of the government backed support schemes.

The COVID-19 pandemic is expected to have a minimal impact on this company given the intention to wind it down and with the financial statements not being prepared on a going concern basis.

QUILTER STRATEGY
Quilter aims to be the leading UK and cross-border full service wealth manager, providing advice-led investment solutions and investment platforms, focusing on delivering good customer outcomes. The breadth of the group's model helps to generate prosperity for customers by providing the services to develop suitable financial plans, manage customers' investments in risk-based solutions and by helping customers access modern wealth wrappers via the group's platforms. Quilter's purpose and strategy are underpinned by core beliefs, which include: the belief in the value of trusted face-to-face advice, that better choice for customers does not mean more choice, and modern, simple and transparent products should be easily accessible and good value. The directors believe that the group's competitive advantage lies in its strong positions in attractive markets and its ability to offer high quality solutions across each element of the value chain at a competitive, transparent and unbundled price.

The Quilter strategy is less relevant for the company. As described in the business review section, the company will cease to trade beyond expiry of the current lease agreement. At this point the most likely outcome is that the company will become dormant until such time management decides to proceed with its dissolution.

KEY PERFORMANCE INDICATORS (KPIs)
The table below shows the key performance indicators the company uses to manage its business performance.

Table A: Key performance indicators.

	2019 £'000	2018 £'000
Rental income	£5,916	£6,142
Operating expenses	£5,825	£6,142
IFRS profit after tax	£1,100	£233
Net assets	£3,673	£2,757
Cash and cash equivalents	£577	£1,564

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the company are considered to arise from its ability to obtain tenants for properties it holds leases on and to continue to provide property and letting management services. In 2020 this risk will disappear, as the lease arrangement with the current landlord will expire, and not be renewed.

SECTION 172 (1) STATEMENT

The company operates within the governance framework, policies and practices set by the board of its ultimate parent company Quilter plc. These are described in the Quilter plc 2019 Annual Report. The following statement should therefore be read in conjunction with the Quilter plc Annual Report.

The group has taken steps to embed a deeper understanding of the responsibilities ascribed to directors under section 172 (1) of the Companies Act 2006 at a Quilter plc level and across its management committees and subsidiaries including the company. Presentations have been made by the Quilter Corporate Secretariat to the business 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 of the company's stakeholders and other relevant matters. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties to ensure that section 172 (1) considerations remain at the heart of the group's decision making at all levels. Insights into how Quilter has done this and the outputs of these decisions have been set out in the Quilter plc Annual Report.

In overseeing the business during the year, the Board of the company has paid due regard to its duty to support the business activities of the company for the benefit of its shareholder by supporting the delivery of the group's purpose and strategic priorities.

CORPORATE GOVERNANCE STATEMENT

Quilter plc is subject to the requirements of the 2018 UK Corporate Governance Code ("the Code") and complied with all its provisions during the year. 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 is comprised of executives of the Quilter plc group. The Board's composition is consistent with the Quilter plc Group Governance Manual's requirements.

By order of the board

M O Satchel
Director
06 May 2020

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 2019.

DIRECTORS
The names of the current directors are listed on page 1. The directors who have held office during the year are listed below:

K S Lee-Crossett
M O Satchel

The company secretary during the period was Quilter CoSec Services Limited.

DIVIDENDS
During the year no dividends were paid (2018: £nil).

EMPLOYMENT POLICIES
The company had no employees during or at the end of the year (2018: nil).

FINANCIAL INSTRUMENTS
The financial risk management objectives and policies of the company are disclosed in note 1.

POLITICAL DONATIONS
During the year the company made no political donations (2018: £nil).

STATEMENT OF GOING CONCERN
As a result of the current lease not being renewed as described in the Strategic Report, the board has decided not to use the going concern basis of accounting for these financial statements. As the intention is to cease operations beyond expiry of the lease and dissolve the company thereafter, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

DISCLOSURE OF INFORMATION TO THE AUDITOR
Each of the persons who is a director at the date of approval of this report confirms that:
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

AUDITOR
KPMG LLP has held office in accordance with Section 487 of the Companies Act 2006 for the 2019 financial year. Following a rigorous tender process conducted by Quilter plc, PricewaterhouseCoopers LLP will assume the role of independent auditor for the Quilter group, of which the company is a member, for the year-end 31 December 2020. Formal appointment as auditor to the company will be completed after the approval of these financial statements.

EVENTS AFTER THE REPORTING DATE
On 11 March 2020, a coronavirus ("COVID-19") was recognised by the World Health Organisation as a global pandemic. This has resulted in disruption to businesses and economic activity as reflected in recent fluctuations in global stock markets. The company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The COVID-19 pandemic is expected to have a minimal impact on this company given the intention to wind it down and with the financial statements not being prepared on a going concern basis.

By order of the board

M O Satchel
Director
06 May 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF COMMSALE 2000 LIMITED

Opinion

We have audited the financial statements of Commsale 2000 Limited (“the company”) for the year ended 31 December 2019 which comprise the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and directors’ report

The directors are responsible for the strategic report and the directors’ report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors’ report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors’ report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors’ responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

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 our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMSALE 2000 LIMITED

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Elizabeth Cox (Senior Statutory Auditor)
for and on behalf of KPMG LLP , Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

06 May 2020

Commsale 2000 Limited

INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019[1] £000	2018 £000
Revenue			
Rental income	2	5,916	6,142
Total revenue		5,916	6,142
Expenses			
Operating expenses	3	(5,825)	(6,142)
Financing cost[2]	4	(91)	-
Total expenses		(5,916)	(6,142)
Profit before tax		-	-
Income tax credit	5	1,100	233
Profit for the year after taxation		1,100	233

[1]The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

[2]Following adoption of IFRS 16, financing cost is the interest on lease liabilities.

The company is classed as a non going concern, however the profit and loss items reported for the current and prior year will continue to be incurred until the company ceases trading.

The result for the current and prior year is attributable to the equity holder of the company.

The notes on pages 13 to 23 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	2019	2018
	£000	£000
Profit for the year	1,100	233
Total comprehensive income	1,100	233

The company is classed as a non going concern, however the profit and loss items reported for the current and prior year will continue to be incurred until the company ceases trading.

The result for the current and prior year is attributable to the equity holder of the company.

The notes on pages 13 to 23 are an integral part of these financial statements.

Commsale 2000 Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share Capital	Retained Earnings	Total Equity
	£000	£000	£000
Shareholder's equity at beginning of the period	250	2,507	2,757
Adjustment on initial application of IFRS16[1]		(184)	(184)
Balance as at 1 January 2019	250	2,323	2,573
Profit for the financial year		1,100	1,100
Balance at 31 December 2019	250	3,423	3,673

	Share Capital	Retained Earnings	Total Equity
	£000	£000	£000
Balance at 1 January 2018	250	2,274	2,524
Profit for the financial year		233	233
Balance at 31 December 2018	250	2,507	2,757

[1]The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

The notes on pages 13 to 23 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	2019[1] £000	2018 £000
Assets			
Property, plant and equipment[2]	7	1,817	152
Amounts due from group undertakings	8	47	613
Current tax asset	9	1,166	1,169
Deferred tax asset	10	1,638	911
Prepayments	11	1,970	1,997
Cash and cash equivalents	12	577	1,564
Total assets		7,215	6,406
Equity and liabilities			
Equity			
Share capital	16	250	250
Retained earnings		3,423	2,507
Total equity		3,673	2,757
Liabilities			
Borrowings and lease liabilities[2]	14	3,312	-
Provisions	13	-	2,284
Other payables	15	230	1,365
Total liabilities		3,542	3,649
Total equity and liabilities		7,215	6,406

[1]The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

[2]Following the adoption of IFRS 16, the company has presented right-of-use assets within Property, plant and equipment and lease liabilities within Borrowings and lease liabilities.

The notes on pages 13 to 23 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 06 May 2020.

Signed on behalf of the board of directors:

M O Satchel
Director

Company Registration No. 03903856

Commsale 2000 Limited

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019[1]	2018
	£000	£000
Cash flows from operating activities		
Profit before tax	-	-
Depreciation and interest charge	2,312	-
Prepayments	27	(793)
Decrease in amounts due from group undertakings	566	1,961
Increase in other payables	140	33
Property provision	-	(1,372)
Taxation paid	414	263
Total net cash flows from operating activities	3,459	92
Cash flows from investing activities		
Proceeds of disposal of property, plant & equipment	-	5
Total net cash from investing activities	-	5
Cash flows from financing activities		
Payment of lease liabilities interest[1]	(91)	-
Payment of lease liabilities[1]	(4,355)	-
Total net cash used in financing activities	(4,446)	-
Net (decrease)/increase in cash and cash equivalents	(987)	97
Cash and cash equivalents at beginning of the year	1,564	1,467
Cash and cash equivalents at end of the period	577	1,564

[1]The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

The notes on pages 13 to 23 are an integral part of these financial statements.

1 ACCOUNTING POLICIES

Commsale 2000 Limited ('the company') is a limited company incorporated in England and Wales. The address of its registered office is disclosed in the company information section on page 1. The principal activities of the company are disclosed in the strategic report.

Basis of preparation
The financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments, have been prepared in sterling and are rounded in thousands.

As described in the Directors' Report, the board has decided not to prepare these financial statements on a going concern basis. This has resulted in the company's fixed assets and long-term liabilities being treated as current, and therefore recoverable within one year.

Critical accounting estimates and judgements
The preparation of financial statements requires management to exercise judgement in applying accounting policies and 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. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates. There are no significant accounting estimates or judgments in these financial statements

Standards, amendments to standards, and interpretations adopted in the 2019 annual financial statements
The company adopted IFRS 16 *Leases* effective 1 January 2019. The company has applied the simplified transition approach and has not restated comparative amounts for the period prior to first adoption. The impact of adopting this new standard is outlined below.

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

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

On transition to IFRS 16, the company elected to apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics;
- not recognise right-of-use assets and lease liabilities for contracts with a term of 12 months or less, or leases for low value items;
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- and not reassess contracts originally deemed to not be a lease contract under IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*.

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

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

The company presents its right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Borrowings and lease liabilities' in the statement of financial position. The company does not have any right-of-use assets that would meet the definition of investment property.

The company currently has lease commitments for the rental of an office building. The future lease cash outflows within the company are not exposed to variable lease payments, low value or short term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions. As described previously, the current lease will expire in September 2020 and will not be renewed beyond this point. Therefore the company will not exercise any extension options available to it in respect of this lease.

In the period prior to IFRS 16 adoption, leases were accounted for under IAS 17 and classified as operating leases. Payments associated with operating leases were recognised in the income statement on a straight line basis over the term of the lease and not disclosed in the company's statement of financial position.

Impacts on transition

On transition, the company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings, with no impact to the income statement. Also on transition, rent free period equalisation and dilapidation provisions are included in the right-of-use assets and lease liabilities. Prior to IFRS 16, these provisions were recorded as separate items on the statement of financial position and so, on transition to IFRS 16, these provisions have been removed. The impact on transition is summarised below:

	£000
Right-of-use assets presented in property, plant and equipment	3,886
Lease liabilities presented in lease liabilities	(7,667)
Rent free equalisation and dilapidation provision adjustment	3,559
Deferred tax adjustment	38
Adjustment to opening retained earnings at 1 January 2019	**(184)**

When measuring the lease liabilities, the company discounted the lease payments using its incremental borrowing rate at 1 January 2019 which was 1.6%. The company's operating lease commitments where the company is the lessee at 31 December 2018 were valued at £7,781k under IAS 17. Upon adoption of IFRS 16 on 1 January 2019, this was recalculated to £7,667k using the incremental borrowing rates above. The simplified transition approach creates deferred tax implications, so as the corporation tax deduction is spread over the length of the remaining leases, the deferred tax is unwound over the same period.

Impacts for the period

In subsequent periods, the company recognises depreciation charges on right-of-use assets and finance interest charges on lease liabilities in the income statement and, over the term of lease contracts, there is expected to be a broadly neutral impact to the income statement as the aggregate depreciation charges and finance interest charges replace office lease rental payments. See note 7 for right-of-use asset and note 14 for the lease liability.

The company leases out part of its right-of-use asset (Millennium Bridge House) to fellow group entities – see note 2 for further information.

The accounting policies applicable to the company as a lessor are not different from those under IAS 17. However, when the company is an intermediate lessor[1], the sub-leases are classified with reference to the right-of-use asset arising from the head leases, not with reference to the underlying asset. The company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the company has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

[1] An underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect

	£000
Right-of-use assets presented in property,plant and equipment at 1 January 2019	3,886
Depreciation charge for right-of-use assets for the period	(2,221)
Right-of-use assets presented in property, plant and equipment at 31 December 2019	**1,665**
Lease liability at 1 January 2019	(7,667)
Payment for principal portion of lease liability	4,355
Lease liability at 31 December 2019	**(3,312)**
Lease liability to be settled within 12 months	(3,312)
Lease liability to be settled after 12 months	-
Lease liability at 31 December 2019	**(3,312)**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	(3,335)
One to five years	-
More than five years	-
Total undiscounted lease liability at 31 December 2019	**(3,335)**

On transition to IFRS 16, the right-of-use asset recognised from the head lease is presented in property, plant and equipment. The sub-lease contracts are classified as operating leases under IFRS 16.

Other standards
In addition to IFRS 16 and IFRIC 23, the following amendments to accounting standards, issued by the International Accounting Standards Board ("IASB") and endorsed by the EU, have been adopted by the company from 1 January 2019 with no material impact on the company's results, financial position or disclosures:

- Amendments to IFRS 9 *Financial Instruments – Prepayment* features with negative compensation
- Annual improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3 *Business combinations*, IFRS 11 *Joint arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing costs*.

Future standards, amendments to standards, and interpretations not early-adopted in the 2019 annual financial statements
Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the company's annual accounting periods beginning after 1 January 2020. The group has not early adopted these standards, amendments and interpretations. The following standards have been issued by the International Accounting Standards Board, and are not applicable or expected to be applicable for the company:

- IFRS 17 *Insurance Contracts* (yet to be endorsed by the EU)

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

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

Measurement
Under IFRS 9, the classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which one is applicable within the company: amortised cost. This classification determines the subsequent measurement basis. The following accounting policy applies to the subsequent measurement of financial assets.

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

Amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (‘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.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, call deposits and other short term deposits with an original maturity of three months or less.

All 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 approximates to their fair value.

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

Impairment of financial assets
IFRS 9 introduces an expected loss accounting model for credit losses, which applies to financial assets measured at amortised cost, but not to investments in equity instruments. Financial assets at amortised cost include amounts due from group undertakings, prepayments and cash and cash equivalents.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage expected credit loss ('ECL') impairment model. The company’s financial assets consist of prepayments and amounts due from group undertakings. As a consequence the IFRS 9 credit loss impairment model is not applicable.

Property, plant and equipment
Artwork owned by the company is held at cost and is not depreciated as the resulting depreciation charge based on the estimated useful life of the assets is considered to be immaterial.

Following the implementation of IFRS 16 on 1 January 2019, a right-of-use asset and associated depreciation is detailed in note 7. Further information regarding the measurement of this asset and depreciation can be found in “Standards, amendments to standards, and interpretations adopted in the 2019 annual financial statements**”.** The depreciation on the right-of-use asset for the company is 7 years.

Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under the company's insurance arrangements, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision was made in respect of leasehold property, where floor space has been sub-let by the company at a discount to the rental cost incurred. With the implementation of IFRS 16 the onerous lease provision was released to become part of the right-of-use asset.

Other payables
Other payables are not interest-bearing and are stated at their amortised cost, which is not materially different from their cost and approximate to fair value.

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

Rental income:
Rental income relates to the income from the sublease of Millennium Bridge House to fellow group entities. In prior years the recharge of the rent expense for the lease has been spread evenly over the duration of the lease, taking into account the rent-free period at the beginning of the contract. For this to be evenly-phased, an equalised rent provision was set up, and was released over the duration of the lease.

From 1 January 2019 IFRS16 *Leases* came into effect which saw the rent recharge change to part depreciation charge, related to the right-of-use asset set up, and part interest charge. The interest charge is reducing during the term of the lease meaning rental income is reducing over the duration of the lease.

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

Operating lease rentals
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals paid under operating leases are charged to the income statement on a straight line basis over the term of the lease (see note 3). This accounting policy is replaced with the new requirements of IFRS16 (see IFRS 16 *Leases* accounting policy on page 13) with effect from 1 January 2019.

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. The taxable income for the year is determined in accordance with enacted legislation and taxation authority practice for calculating the amount of tax payable.

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

Deferred tax

Deferred taxes are calculated according to the statement of financial position method, based on temporary differences between reported and tax values of assets and liabilities. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax liabilities are not discounted.

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

Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Risk management framework

The company has adopted the Quilter Group Enterprise Risk Management (ERM) framework which comprises core components such as:

- the corporate governance arrangements which set out the way that the organisation is structured and managed;
- a set of Strategic Risk Appetite Principles that provide guidance on our attitude toward key areas of risk and support;
- the ongoing management and oversight of risk;
- the processes involved in the identification, measurement, assessment, management and monitoring of risk, including assignment of risk owners and risk reporting;
- the culture and behaviour that is exhibited and the associated reward mechanisms.

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

Operational risk

Operational risk includes all risks resulting from operational activities which the company undertakes excluding strategic risks and risks resulting from being part of a wider group of companies.

Credit and counterparty risk

The company is exposed to credit and counterparty risk primarily arising from the investment of its shareholder funds.
Sources of credit risk are managed in line with the requirements of the Credit Risk Policy that ensures cash is placed with highly rated counterparties and is appropriately diversified.

The company’s maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements.

2 INCOME

	Note	2019 £000	2018 £000
Rental income received from fellow group subsidiaries:			
Quilter Business Services Limited (formerly Old Mutual Wealth Business Services Limited)	20	5,109	5,335
Quilter Financial Planning Limited (formerly Intrinsic Financial Services Limited)	20	807	807
		5,916	6,142

The income presented is not subject to variable lease arrangements which depend on an index or rate.

The lessor contracts will expire in September 2020. Therefore, the undiscounted lease payments to be received in 2020 amount to £3,335k.

3 OPERATING EXPENSES

	2019 £000	2018 £000
Property costs	3,601	7,514
Depreciation right-of-use assets[1]	2,221	-
Onerous lease provision[2]	-	(1,372)
Legal fees	3	-
	5,825	6,142

[1]The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

[2]After the adoption of IFRS 16, the onerous lease provision forms part of the right of use asset and hence is removed from operating expenses.

The audit remuneration paid to KPMG, £4,920 (2018: £4,920), is borne by Quilter Business Services Limited (formerly Old Mutual Wealth Business Services Limited), a fellow group company. Auditor's remuneration for audit services consists of fees in respect of the statutory audit. There are no non-audit fees.

4 FINANCING COST

	Note	2019 £000	2018 £000
Interest charge on lease liabilities	14	91	-

The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application. The company incurs interest on the lease liability based on its incremental borrowing rate which is 1.6%.

5 TAXATION

Income tax expense	2019 £000	2018 £000
Current year corporation tax credit	411	472
Deferred tax credit/(charge)	689	(239)
Total current tax	1,100	233

Reconciliation of income tax expense	2019 £000	2019 £000
Profit before taxation	-	-
Tax at standard rate of 19% (2018: 19%)	-	-
Effects of:		
Recognition of previously unrecognised deferred tax assets	(1,091)	(233)
Effect on deferred tax for changes in tax rates	(9)	
Total taxation for the year	(1,100)	(233)

6 LEASEHOLD COMMITMENTS

The company has total rental commitments under non-cancellable operating leases over land and buildings as follows:	2019 £000	2018 £000
Expiry less than a year	-	4,446
Expiry between one and five years	-	3,335
	-	7,781

Prior to 1 January 2019 and the implementation of IFRS 16, all group leases were classified as operating leases, being leases where the lessor retains substantially all the risks and rewards of the ownership of the leased asset.

7 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use asset	**Artwork**	**Total**
	£000	£000	£000
Cost			
At 1 January 2018	-	157	157
Disposals	-	(5)	(5)
At 31 December 2018	-	152	152
Implementation of IFRS16	24,976	-	24,976
At 31 December 2019	**24,976**	**152**	**25,128**
Depreciation			
At 1 January 2018	-	-	-
Depreciation charge for the year	-	-	-
At 31 December 2018	-	-	-
Implementation of IFRS16	(21,090)	-	(21,090)
Depreciation charge for the year	(2,221)	-	(2,221)
At 31 December 2019	**(23,311)**	**-**	**(23,311)**
Net book value	**1,665**	**152**	**1,817**

8 AMOUNTS DUE FROM GROUP UNDERTAKINGS

	Note	2019 £000	2018 £000
Quilter Business Services Limited (formerly Old Mutual Wealth Business Services Limited)	20	47	613

All amounts are current, interest free, and recognised at amortised cost, with the carrying amount approximating to fair value.

9 CURRENT TAX ASSET

	2019 £000	2018 £000
Current tax asset	1,166	1,169

All amounts are current.

10 DEFERRED TAXATION

The following are the deferred tax balances recognised by the company and the movements theron, during the current and prior period.

	Accelerated depreciation £000	Other carried forward £000	Total £000
Assets at 31 December 2017	(1,150)	-	(1,150)
Movement in the year	239	-	239
Assets at 31 December 2018	(911)	-	(911)
Movement in the year	(711)	(16)	(727)
Assets at 31 December 2019	(1,622)	(16)	(1,638)

Since 1 April 2017 the main rate of UK corporation tax has been 19%.

A deferred tax asset or liability is recognised to the extent that temporary differences are expected to reverse in the foreseeable future. The company has the ability to transfer deferred tax assets and utilise tax planning opportunities within the wider Quilter tax group and the expectation is that this will happen before the company is made dormant.

The value of deferred tax not recognised as at 31 December 2019 was £33,000 (2018: £1,093,000). This relates to gross accelerated depreciation of £nil (2018: £6,233,000) and gross tax losses of £197,000 (2018: £197,000).

11 PREPAYMENTS

	2019 £000	2018 £000
Prepayments	1,970	1,997

Prepayments are short term, current and interest free. All amounts are classified as either at amortised cost or non-financial assets.

12 CASH AND CASH EQUIVALENTS

	2019 £000	2018 £000
Bank balances	577	1,564

Bank balances are current and recognised at amortised cost. Bank balances are subject to a 12 month ECL, and are credit rated A.

13 PROVISIONS

	2019 £000	2018 £000
At 1 January	(2,284)	(3,656)
Release of provision due to implementation of IFRS16	2,284	
Credit to income statement	-	1,372
At 31 December	-	(2,284)

The company has a sub-lease arrangement for part of the fourth floor of Millennium Bridge House with Quilter Financial Planning Limited for the period 25 February 2015 to 29 September 2020 for a discounted annual amount.

Prior to the adoption of IFRS16, in order to ensure that under-absorption of the cost charged to the income statement was phased evenly over the entire lease period, a corresponding amount was released from the onerous lease provision. On adoption of IFRS16 the onerous lease provision was replaced by the lease liability and this provision was therefore released.

14 BORROWINGS AND LEASE LIABILITIES

	2019[1] £000	2018 £000
Opening balance at 1 January 2019	7,667	-
Finance interest charge for the period	91	-
Lease liability reduction for the period	(4,446)	-
Closing balance at 31 December 2019	**3,312**	**-**
Lease liability to be settled within 12 months	3,312	-
Total discounted lease liability at 31 December 2019	**3,312**	**-**
Maturity analysis - contractual undiscounted cash flows		
Less than one year	3,335	-
Total undiscounted lease liability at 31 December 2019	**3,335**	**-**

[1]The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application. The company incurs interest on the lease liability based on its incremental borrowing rate which is 1.6%.

15 OTHER PAYABLES

	2019 £000	2018 £000
Equalised rent - Millennium Bridge House	-	1,275
Other payables	230	90
	230	1,365

The company has a lease arrangement for Millennium Bridge House with the landlord for the period 11 September 2013 to 29 September 2020. The lease included a rent-free period up to and including 14 October 2014.

Prior to IFRS16, in order to ensure that rent is charged to the income statement evenly over the whole lease period, a monthly rent is charged, with a corresponding credit to an accrual for equalised rent. On adoption of IFRS16 the equalised rent provision formed part of the lease liability and so was removed from other liabilities.

All amounts are short term, current and interest free. All amounts are classified as either at amortised cost or non-financial liability.

16 SHARE CAPITAL

	2019 £000	2018 £000
Authorised		
30,100,000 Ordinary shares of £1 each	30,100	30,100
Issued		
250,001 Ordinary shares of £1 each	250	250

17 CAPITAL MANAGEMENT

Total equity attributable to equity holders is managed as capital and there are no externally imposed capital requirements on the company. The company reviews its obligations to ensure it has sufficient capital to fulfil its purpose as a property letting and management company for Quilter plc.

18 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments at 31 December 2019 (2018: £nil).

19 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2019 (2018: £nil).

20 RELATED PARTY TRANSACTIONS

Details of balances and other transactions with related parties are disclosed in notes 2 and 8.

All current directors are employed by, and receive their emoluments from Quilter Business Services Limited (formerly Old Mutual Wealth Business Services Limited). The directors holding office during the year ended 31 December 2019 consider that their services to the company are incidental to their other duties within the group and accordingly no remuneration has been apportioned to this company.

21 EVENTS AFTER THE REPORTING DATE

COVID-19

On 11 March 2020, a coronavirus ("COVID-19") was recognised by the World Health Organisation as a global pandemic. This has resulted in disruption to businesses and economic activity as reflected in recent fluctuations in global stock markets. The company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The COVID-19 pandemic is expected to have a minimal impact on this company given the intention to wind it down and with the financial statements not being prepared on a going concern basis.

22 ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent is Quilter plc a company registered in England and Wales. The company's financial statements are consolidated within the financial statements of Quilter plc, the ultimate parent company and controlling party, registered in England & Wales. The financial statements are available from:

The Company Secretary
Quilter plc
Millennium Bridge House
2 Lambeth Hill
London
EC4V 4AJ