Registered in England and Wales No. 02019022

OMFS (GGP) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2019

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COMPANY INFORMATION

DIRECTORS

D J L Eardley
K S Lee-Crossett
M O Satchel

SECRETARY

Quilter CoSec Services Limited

BANKER

National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED OFFICE AND BUSINESS ADDRESS

Millennium Bridge House
2 Lambeth Hill
London
EC4V 4AJ

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No. 02019022

STRATEGIC REPORT

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

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

OMFS (GGP) Limited (the “company”) forms part of the Quilter plc group (the “group”). Quilter plc’s ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc acts as the parent company and provides the company with strategic and governance oversight. The company forms part of the head office function of Quilter plc group.

The principal activity of the company is that of a holding company and the administration of the healthcare obligations provided to the retirees of the Gerrard & National business which was sold by the company in 2002. This will continue for the foreseeable future.

The results of the company for the period are set out in the income statement on page 8.

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 the unpredictable operating outlook. Quilter is operationally resilient and remains focused on completing principal projects. Given the uncertainty and expected lower assets under management and administration (“AuMA”) leading to lower run-rate of revenues, the group is undertaking a number of management actions to reduce expenses and has 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 minimal financial impact on the company, given its revenues are not directly impacted by market movements, being investment return from fellow group undertakings.

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.

Management is confident in the group's strategic path and growth prospects. Short-term market, economic and political uncertainty may temper momentum in near-term flows and the level of assets under administration, but the group operates in a large and fragmented market that has good long-term growth potential.

KEY PERFORMANCE INDICATORS (KPIs)

The company’s principal KPIs are disclosed below.

	2019 **£'000**	**2018** **£'000**
Administrative expenses	523	(925)
Net assets	753,973	753,601
Cash and cash equivalents	10,590	10,685

Administrative expenses relate solely to movements in the healthcare provision. In 2019, there was a reduction in the provision, and in 2018 there was an increase.

STRATEGIC REPORT

DIVIDEND DISTRIBUTIONS

On 18 September 2019, the board of OMFS (GGP) Limited approved an aggregate dividend payment of £8,854,000 to its immediate parent and majority equity holder Skandia UK Limited, and to its minority equity holder Old Mutual Financial Services (UK) Limited. These were paid on 30 September 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the company arise from the orderly administration of the outstanding obligations in respect of the healthcare scheme covering retirees of former group companies.

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 promote the success of the company in the long term for the benefit of its shareholder by supporting the delivery of the group's purpose and strategic priorities.

By order of the board

M O Satchel
Director
26 May 2020

DIRECTORS' REPORT

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

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

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

D J L Eardley
K S Lee-Crossett
M O Satchel

All directors are employed by, and receive their emoluments from fellow group undertakings. 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.

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

DIVIDENDS
During the year, dividends totalling £8,854,000 were declared and paid (2018: £13,949,000).

EMPLOYEES
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
The financial statements have been prepared on a going concern basis. The board has reviewed the company's projections for the next 12 months and beyond including cash flow forecasts. An assessment of the impact of COVID-19 on the going concern for the group has also been completed, concluding that the group remains financially strong. As a result, the board has a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approving these financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR
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 auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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.

By order of the Board

M O Satchel
Director
26 May 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, 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.

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 OMFS (GGP) LIMITED (CONTINUED)

Opinion
We have audited the financial statements of OMFS (GGP) Limited 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.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 4, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OMFS (GGP) LIMITED

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.

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

26 May 2020

INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Revenue			
Financial income	2	10,982	10,729
Expenses			
Administrative expenses	3	523	(925)
Profit before tax		11,505	9,804
Income tax expense	4	(1,687)	(1,330)
Profit for the year after taxation		9,818	8,474

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

The notes on pages 13 to 22 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	9,818	8,474
Total comprehensive income for the year	9,818	8,474

All the above amounts in the current and prior year derive from continuing activities.
The result for the current and prior year is attributable to the equity holders of the company.

The notes on pages 13 to 22 are an integral part of these financial statements.

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

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019		141,732	406,698	6,300	10,144	564,874
Profit for the financial year		-	-	-	9,818	9,818
Dividends paid	5	-	-	-	(8,854)	(8,854)
Balance at 31 December 2019		141,732	406,698	6,300	11,108	565,838

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018		141,732	416,698	6,300	5,619	570,349
Profit for the financial year		-	-	-	8,474	8,474
Share capital reduction		-	(10,000)	-	10,000	-
Dividends paid	5	-	-	-	(13,949)	(13,949)
Balance at 31 December 2018		141,732	406,698	6,300	10,144	564,874

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

The notes on pages 13 to 22 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	Notes	2019 £000	2018 £000
Assets			
Investments	6	329	302
Loans and advances	7	742,445	742,000
Other receivables	8	609	614
Cash and cash equivalents	9	10,590	10,685
Total assets		753,973	753,601
Equity and liabilities			
Equity			
Share capital	13	141,732	141,732
Share premium		406,698	406,698
Capital redemption reserve		6,300	6,300
Retained earnings		11,108	10,144
Total equity		565,838	564,874
Liabilities			
Amounts due to group undertakings	10	185,087	185,087
Other payables	11	328	302
Provisions for liabilities and charges	12	2,720	3,338
Total liabilities		188,135	188,727
Total equity and liabilities		753,973	753,601

The notes on pages 13 to 22 are an integral part of these financial statements.

Approved by the board of directors on 26 May 2020 and signed on its behalf by:

M O Satchel
Director

Company registration No. 02019022

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019	2018
	£000	£000
Cash flows from operating activities		
Profit before tax	11,505	9,804
Adjustments for non-cash:		
Interest income	(10,982)	(10,729)
(Decrease)/increase in provision	(525)	936
Other changes in working capital	(65)	(131)
Gold revaluation	(27)	-
Taxation paid	(2,077)	(1,520)
Total net cash used in operating activities	(2,171)	(1,640)
Cash flows from investing activities		
Interest received	10,930	7,602
Total net cash from investing activities	10,930	7,602
Cash flows from financing activities		
Dividends paid	(8,854)	(13,949)
Total net cash used in financing activities	(8,854)	(13,949)
Net decrease in cash and cash equivalents	(95)	(7,987)
Cash and cash equivalents at beginning of the year	10,685	18,672
Cash and cash equivalents at end of the year	10,590	10,685

The notes on pages 13 to 22 are an integral part of these financial statements.

1 ACCOUNTING POLICIES

OMFS (GGP) 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 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 into thousands.

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as noted below.

Critical accounting estimates and judgements
The preparation of financial statements requires management to exercise judgement in applying the company's significant accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements.

The company's critical accounting judgements are detailed below and are those that management makes when applying its significant accounting policies and that have the most effect on the amounts recognised in the company's financial statements.

Area	Critical accounting judgements	Note
Provisions – recognition	In assessing whether a provision should be recognised, the company evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. The provision is in respect of healthcare cover obligations provided to retirees of the Gerrard & National business for whom a legacy benefit of private medical insurance cover is still in existence.	12

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

Area	Critical accounting estimates	Note
Provisions – measurement	The provision has been determined with regards to forecast premiums and claims costs. The provision will be utilised over the remaining lives of the retirees. The key assumptions in respect of determining the present value of the healthcare provision are the discount rate and the future premium inflation rate. Management applied a discount rate of 1.37% and a premium inflation rate of 8% (2018: 1.37% and 8%)..	12

A sensitivity analysis has been undertaken in respect of these assumptions and these are provided in the table below:

Assumption	Change in estimate	Change in provision
Discount rate	+/- 1%	- £0.3 million / + £0.4 million
Premium inflation rate	+/- 2%	+ £0.8 million / - £0.6 million

Standards, amendments to standards, and interpretations adopted in the 2019 annual financial statements

The following amendments to the 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:

- IFRS 16 *Leases*
- 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 companies annual accounting periods beginning after 1 January 2020. The company has not early adopted these standards, amendments and interpretations. At the date of authorisation of these financial statements, the following standard has been issued by the International Accounting Standards Board, and is not applicable or not expected to be applicable for the company:

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

Financial instruments

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

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

Measurement

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which two are applicable to the company: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

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

Amortised cost

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("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.

Financial investments
All other financial assets that are not measured at amortised cost are classified as measured at FVTPL. In addition, on initial recognition, the company may irrevocably designate a financial asset 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.

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

The company recognises purchases and sales of financial investments on trade date, which is the date that the company commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the statement of comprehensive income.

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

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 effect 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 are measured at amortised cost using the effective interest method.

Payables and receivables
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.

Impairment of financial assets
The impairment model applies to financial assets measured at amortised cost. Financial assets at amortised cost include receivables, loans 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:

Performing financial assets:
Stage 1
From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date (“12-month ECL”).

Stage 2
Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset (“Lifetime ECL”).

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

Impaired financial assets:
Stage 3
When a financial asset is considered to be credit-impaired, the allowance for credit losses (“ACL”) continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the impairment model
The company applies IFRS 9’s ECL model to three main types of financial assets that are measured at amortised cost:

- Other receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Cash and cash equivalents at amortised cost, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.
- Loans and advances at amortised cost, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance

ECLs are 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 ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the company on terms that the company would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will go over 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.

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 is made for the expected future obligations of the healthcare cover provided to retirees of the Gerrard & National business for whom a legacy benefit of private medical insurance cover is still in existence. The provision has been determined in respect of forecast premiums and claim costs. The provision will be utilised over the remaining lives of the retirees.

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 on-going 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 the Quilter’s risk profile is understood and managed on a continuous basis within the agreed risk appetite.

Operational risk
Quilter group accepts a level of Operational risk as an integral and unavoidable part of our business where it arises out of the activities it undertakes in order to provide services to its customers and generate profits for its shareholders. Under the ERM framework which has been adopted, operational risk is defined as 'The risk of loss (or unintentional gain/profit) arising from inadequate or failed internal processes, or from personnel and systems, or from external events (other than financial or business environment risks), resulting in an adverse impact to earnings or reduced solvency'.

The prime objectives of Operational Risk Management within Quilter are to ensure there is:

- robust risk culture so that employees are able to identify, assess, manage and report against the key risks the business is faced with and/or may face as it looks to the horizon and implements the group business strategy;
- appropriate balance between minimising risk and the cost of control;
- a defined risk appetite within which risks are managed;
- swift and effective responses to events in order to minimise impact.

From a company perspective, the material risks faced by the company itself are described below.

Credit and counterparty risk
Credit and counterparty 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.

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 additionally makes loans to other entities in the group which are monitored to ensure the credit and counterparty risk is appropriately managed.

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

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.

Quilter plc has established a 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 is subject to market risk in the following areas:

Interest rate risk

Interest rate risk is defined as the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for, a negative impact on earnings or capital and / or reduced solvency.

An exposure exists as a result of a small number of loans that are linked to an underlying variable interest rate, such as LIBOR, and so the value of these interest payments will vary if the underlying interest rate changes. It also has a small number of loans that have fixed interest rates, where the present value of these loans would vary in the event of a change in interest rates. The company monitors the impact of interest rate changes on its financial position, with the risk managed in line with the group's Market Risk Policy.

The company is exposed to limited interest rate risk except in respect of loans to and from group undertakings.

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.

The liquidity strategy is to maintain sufficient liquidity within the company such that it can meet its target liquidity requirement, as defined by the group's liquidity policy, at all times.

Sensitivity tests

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at the reporting date.

Interest rate sensitivity

The impact of an increase and decrease in market interest rate of 1% (e.g. if the current interest rate is 5% the test allows for the effects of an immediate change to 4% and 6%) is assessed.

An increase in interest rate of 1% would have increased profit and shareholders equity by £6,014,000 (2018: increase £6,010,000) after tax; an equal change in the opposite direction would have decreased profit by £6,014,000 (2018: decrease £5,875,000) after tax. The reduction in profit would however be limited to the amount of interest received.

2 FINANCIAL INCOME

	Note	2019 £000	2018 £000
Interest receivable from parent undertaking	14	10,982	10,729

3 ADMINISTRATIVE EXPENSES

	2019 £000	2018 £000
Post-retirement healthcare provision (decrease) / increase during the year	(525)	935
Other expenses	2	(10)
	(523)	925

Auditor remuneration paid to KPMG, £ 8,802 (2018: £ 8,802), 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 TAXATION

	2019 £000	2018 £000
Current year corporation tax	1,534	1,330
Prior year corporation tax charge	153	-
Tax charge for the year	1,687	1,330

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2019 £000	2018 £000
Profit before taxation	11,505	9,804
Tax on profit at the applicable tax rate 19% (2018: 19%)	2,186	1,863
Effect of:		
Transfer pricing adjustment	(463)	(425)
Prior year corporation tax charge	153	-
Utilisation of previously unrecognised deferred tax	(189)	(108)
	1,687	1,330

Factors that may affect future charges
Since 1 April 2017 the main rate of UK corporation tax has been 19%. A reduction to 17% from 1 April 2020 was enacted in 2016; this change was subsequently revoked, and the rate remains at 19%.

Throughout the year the company has been in receipt of a loan of £185,087,169 from Old Mutual Financial Services (UK) Limited, being a fellow member of the Quilter group. As this loan is interest free, a transfer pricing adjustment has been made, being calculated using the 3 month London Inter Bank Offered Rate (LIBOR) plus 0.5%.

5 DIVIDENDS

	2019 £000	2018 £000
Dividends paid		
Dividend paid to Skandia UK Limited (1.39p per share)	-	7,110
Dividend paid to Old Mutual Financial Services (UK) Limited (1.39p per share)	-	756
Dividend paid to Skandia UK Limited (1.07p per share)	-	5,499
Dividend paid to Old Mutual Financial Services (UK) Limited (1.07p per share)	-	584
Dividend paid to Skandia UK Limited (1.56p per share)	8,003	-
Dividend paid to Old Mutual Financial Services (UK) Limited (1.56p per share)	851	-
	8,854	13,949

6 INVESTMENTS

	2019 £000	2018 £000
Investments held at fair value through profit and loss		
At 1 January	302	298
Unrealised gains on investments	27	4
At 31 December	329	302

The investments represent gold and silver bullion and are categorised as level 1 investments. These investments are valued using quoted prices in active markets. There have been no transfers between level 1 and 2, or level 2 and 3, in the period.

The investments are recognised mandatorily at FVTPL.

7 LOANS AND ADVANCES

	Note	2019 £000	2018 £000
Lending to immediate parent company at 1.51%[1]	14	673,129	673,129
Lending to immediate parent company at 12 month LIBOR[2]	14	69,316	68,871
		742,445	742,000

[1] The company has a term loan of £673,129,000 with Skandia UK Limited that expires on 30 September 2020.
[2] The company has a £300,000,000 revolving credit facility with Skandia UK Limited. The facility is recallable on demand.

The carrying amount of loans approximates to their fair value which is measured as the principal amounts receivable under the loan agreements.

All loans are repayable on demand and recognised at amortised cost.

8 OTHER RECEIVABLES

	Note	2019 £000	2018 £000
Due from fellow group undertakings	14	579	189
Due from immediate parent	14	30	425
Other receivables		609	614

The amount relates to accrued loan interest and group relief tax receivable, are current and recognised at amortised cost.

9 CASH AND CASH EQUIVALENTS

	2019 £000	2018 £000
Bank balances	10,590	10,685

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

10 AMOUNTS DUE TO GROUP UNDERTAKINGS

	Note	2019 £000	2018 £000
Due to immediate parent	14	185,087	185,087

All amounts are non-interest bearing and recallable on demand. Amounts are recognised at amortised cost.

11 OTHER PAYABLES

	2019 £000	2018 £000
Other payables	328	302

Amounts are current and recognised at amortised cost.

12 PROVISIONS

	2019 £000	2018 £000
Brought forward at 1 January	3,338	2,534
Utilised during the year	(93)	(119)
(Credit)/charge to the profit and loss account	(525)	935
Release of provision	-	(12)
Balance carried forward at 31 December	2,720	3,338

The provision is in respect of healthcare cover obligations provided to retirees of the Gerrard & National business for whom a legacy benefit of private medical insurance cover is still in existence. The provision has been determined in respect of forecast premiums and claims costs. The provision will be utilised over the remaining lives of the retirees.

13 SHARE CAPITAL

	2019 £000	2018 £000
Authorised:		
720,000,000 (2018: 720,000,000) ordinary shares of 25p each	180,000	180,000
Issued and fully paid:		
566,926,412 (2018: 566,926,412) ordinary shares of 25p each	141,732	141,732

14 RELATED PARTY TRANSACTIONS

Details on intragroup loans are given in note 7 and the interest thereon in note 2.

Amounts due from or to group undertakings at the reporting date are shown in notes 8 and 10.

All current directors are employed by, and receive their emoluments from Quilter 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.

15 FINANCIAL INSTRUMENT RISK

The company complies with group risk policies on the key risks associated with the business. These cover the UK Prudential Regulatory Authority defined risk categories of group, credit, insurance, liquidity, operational and market risk. The policies, approved by the board of the ultimate parent, Quilter plc, are reviewed annually as part of the risk appetite assessment process. Each component risk is assigned a risk owner at director level who is responsible for the ongoing review, mitigation and execution of appropriate action plans. The company is exposed to limited liquidity, credit and market risk since the loan balances are with group companies.

16 CONTINGENT LIABILITIES

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

17 FINANCIAL AND CAPITAL COMMITMENTS

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

18 CAPITAL MANAGEMENT

Total equity attributable to the equity holders is managed as capital and there are no externally imposed capital requirements of the company. The company reviews its obligations to ensure it has sufficient capital to fulfil its purpose as a holding company.

19 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 minimal financial impact on the company, given its revenues are not directly impacted by market movements, being investment return from fellow group undertakings.

20 ULTIMATE PARENT COMPANY

The company's immediate parent is Skandia UK Limited, 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 and Wales. The financial statements are available from:

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