Registered in England and Wales No. 01606702

Old Mutual Wealth Holdings Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2019

CONTENTS

COMPANY INFORMATION

Directors	D J L Eardley J Mitchell M O Satchel A S Tuddenham A M Waters
Secretary	Quilter CoSec Services Limited
Banker	National Westminster Bank Plc 68 Above Bar Street Southampton SO14 7DS
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Registered office	Old Mutual House Portland Terrace Southampton SO14 7EJ Telephone: 0808 171 2626 Website: www.quilter.com Registered in England and Wales No: 01606702

STRATEGIC REPORT

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

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY
Old Mutual Wealth Holdings Limited (the “company”) forms part of 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.

The company is an investment holding company and as such its principal activities consist of monitoring liquidity and ensuring an adequate level of cash is available to the regulated trading entities should it be required. Conversely, should surplus cash arise in the trading entities, it will ensure this is passed from its subsidiaries to its parent Quilter plc. The company also provides financing for the ongoing financial adviser firm acquisitions through its subsidiary Quilter Financial Planning Limited. The principal activities of the company's subsidiaries during the year related to life assurance, pensions, investment products, asset management and financial advice in the UK and offshore and this will continue for the foreseeable future. Its subsidiaries are disclosed in note 9.

The results of the company for the period are set out in the income statement on page 10.

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 to 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 table below shows the key performance indicators that the company uses to manage its business performance.

The company’s key performance indicator is IFRS profit. The profit for the year, after taxation, amounted to £81,540,000 (2018: £43,430,000).

Other internal KPIs used by management are dividends received, investment in subsidiaries and the return on investment (dividends received expressed as a percentage of investments in subsidiaries).

Table A: Key performance indicators.

	2019 £’000	2018 £’000
IFRS profit	81,540	43,430
Net assets	1,246,210	1,164,670
Dividends received	176,000	45,028
Investment in subsidiaries	1,340,126	1,266,804
Return on investment	10.4%	3.6%

STRATEGIC REPORT (continued)

FINANCIAL POSITION AT THE END OF THE YEAR

The company’s net assets have decreased from £1,164,670,000 to £1,246,210,000, with cash and cash equivalents increasing from £30,086,000 to £117,270,000.

On 14 February 2019, the company purchased £32,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 21 March 2019, the company purchased £11,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 25 March 2019, the company purchased £10,000,000 of £1 ordinary shares in its subsidiary Old Mutual Wealth Limited.

On 27 March 2019, the company purchased £50,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 11 July 2019, the company purchased £25,000,000 of £1 ordinary shares in its subsidiary Old Mutual Wealth Limited.

On 23 July 2019, the company purchased £10,400,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 29 March 2019, the company received a dividend of £110,000,000 from its subsidiary Old Mutual Wealth UK Holding Limited.

On 12 April 2019, the company received a dividend of £6,500,000 from its subsidiary Quilter Cheviot Holdings Limited.

On 26 November 2019, the company received a dividend of £29,500,000 from its subsidiary Quilter Cheviot Holdings Limited.

On 16 December 2019, the company purchased £21,700,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 31 December 2019, the company received a dividend of £30,000,000 from its subsidiary Old Mutual Wealth UK Holding Limited.

BUSINESS COMBINATIONS

On 14 February 2019, Quilter Financial Planning Limited, a subsidiary undertaking, acquired the Charles Derby Group of companies. The deal consisted of consideration of £32,600,000 comprising an initial cash payment of £15,100,000, with the remainder being settled via deferred payments over a 3 year period.

On 12 June 2019, Quilter Financial Planning Limited, a subsidiary undertaking, acquired the Lighthouse Group plc for consideration of £46,200,000. On the same date the company sold its existing investment in Lighthouse Group plc for cash consideration of £1,842,000.

On 12 November 2019, the company made an investment of £30,000 in Old Mutual Wealth Limited, a fellow group undertaking.

On 31 December 2019, Old Mutual Wealth UK Holding Limited, a subsidiary undertaking, completed the sale of Old Mutual Wealth Life Assurance Limited to ReAssure Group for total consideration of £446,250,000.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The company has adopted the Enterprise Risk Management framework of the group. This provides the framework for the monitoring, management and governance of risk, as detailed in note 3.

As a UK based financial services firm, the implications and economic impact of several scenarios of the UK leaving the European Union (“EU”) in relation to financial services will influence the degree to which these risks act upon the group, particularly with regards to strategy, market, legal and regulatory, and third party risks.

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.

STRATEGIC REPORT (continued)

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.

As explained in note 9, the carrying value of the company's subsidiaries is estimated based on management's best estimate of the expected future cash flows. The cash flows used in the calculation have incorporated the forecast impact of COVID-19.

The COVID-19 pandemic is expected to have minimal impact on the company's revenues which are not directly impacted by market movements, being investment return from subsidiaries and the company's immediate parent, and interest received on short term bank deposits.

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.

More information on the company's business relationships and employees can be found in the Directors' Report.

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
30 June 2020

DIRECTORS' REPORT

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

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

DIRECTORS

The directors of the company during the year and to date were as follows:

D J L Eardley	
L Harrison	(resigned 22 March 2019)
J Mitchell	(appointed 8 March 2019)
M O Satchel	
A S Tuddenham	
A M Waters	(appointed 8 March 2019)

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

Qualifying third-party provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2019 for the benefit of the then directors, and at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur, (or have occurred) in connection with their duties/powers or office.

DIVIDENDS

During the year dividends of £nil (2018: £nil) were paid.

EMPLOYEES

The company has no employees (2018: nil). Management services are provided by a fellow subsidiary undertaking as disclosed in note 23.

FINANCIAL INSTRUMENTS

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

POLITICAL DONATIONS

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

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. As explained in note 10, the carrying value of the company's subsidiaries is estimated based on management's best estimate of the expected future cash flows. The cash flows used in the calculation have incorporated the forecast impact of COVID-19.

The COVID-19 pandemic is expected to have minimal impact on the company's revenues which are not directly impacted by market movements, being investment return from subsidiaries and the company's immediate parent, and interest received on short term bank deposits.

On 12 April 2020, the company purchased £12,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 14 April 2020, the company purchased £12,000,000 of £1 ordinary shares in its subsidiary Old Mutual Wealth Limited.

On 1 May 2020, the company purchased £12,000,000 of £1 ordinary shares in its subsidiary Quilter Cheviot Holdings Limited.

On 30 June 2020, the company purchased £23,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

DISCLOSURE OF INFORMATION TO AUDITOR

Each 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.

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

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 can withstand a severe but plausible downside scenario for at least the next 12 months. 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.

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 ending 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
30 June 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 OLD MUTUAL WEALTH HOLDINGS LIMITED

Opinion

We have audited the financial statements of Old Mutual Wealth Holdings 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 2.

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD MUTUAL WEALTH HOLDINGS LIMITED (continued)

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.

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

30 June 2020

INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue			
Investment return	4	179,025	47,917
Total revenue		179,025	47,917
Expenses			
Administrative expenses	5	(98)	(116)
Finance costs	7	(11,151)	(9,207)
Impairment to investment in subsidiary undertakings	9	(86,778)	-
Share of (loss)/profit of associate	10	(90)	30
Total expenses		(98,117)	(9,293)
Profit before tax		80,908	38,624
Income tax credit	8	632	4,806
Profit after tax		81,540	43,430

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

The notes on pages 15 to 38 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	2019	2018
	£'000	£'000
Profit after tax	81,540	43,430
Total comprehensive income for the year		
All attributable to equity holder	81,540	43,430

The notes on pages 15 to 38 are an integral part of these financial statements.

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

	Share capital	Retained earnings	Total equity holder's funds
	£'000	£'000	£'000
Balance at 1 January 2019	116,100	1,048,570	1,164,670
Profit for the year	-	81,540	81,540
Balance at 31 December 2019	116,100	1,130,110	1,246,210

	Note	Share capital	Retained earnings	Total equity holder's funds
		£'000	£'000	£'000
Balance at 1 January 2018		116,100	1,398,546	1,514,646
Profit for the year		-	43,430	43,430
Impairment to the investment in subsidiaries	9	-	(393,406)	(393,406)
Balance at 31 December 2018		116,100	1,048,570	1,164,670

The notes on pages 15 to 38 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Investment in subsidiary undertakings	9	1,340,126	1,266,804
Investment in associate	10	1,465	1,555
Other investments	11	30	1,218
Loans and advances	12	122,704	148,185
Deferred tax assets	13	2,387	3,141
Current tax receivable		-	1,165
Other receivables	14	23	213
Cash and cash equivalents	15	117,270	30,086
Total assets		1,584,005	1,452,367
Equity and liabilities			
Equity			
Share capital	16	116,100	116,100
Retained earnings		1,130,110	1,048,570
Total equity attributable to equity holder		1,246,210	1,164,670
Liabilities			
Interest bearing liabilities	18	328,666	282,359
Provisions	19	-	244
Current tax payable		2,536	-
Other payables	20	6,593	5,094
Total liabilities		337,795	287,697
Total equity and liabilities		1,584,005	1,452,367

The notes on pages 15 to 38 are an integral part of these financial statements.

Approved at a meeting of the board of directors on 30 June 2020 and signed on its behalf by:

M O Satchel
Director

Company registered number: 01606702

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019	2018
	£'000	£'000
Operating activities		
Net cash paid to service providers and suppliers	(25)	3,395
Tax and group relief received	5,086	12,015
Net cash from operating activities	5,061	15,410
Investing activities		
Interest received	327	68
Dividends received	176,028	45,028
Realised gain on investment	624	-
Interest received on loans to group and subsidiary undertakings	1,923	273
Investment in subsidiary undertakings	(160,100)	(42,270)
Investment in fellow group undertaking[1]	(30)	-
Sale of subsidiary	-	1
Sale of investment in Lighthouse Group plc	1,218	-
Change in loan from parent company	25,481	-
Net cash from investing activities	45,471	3,100
Financing activities		
Interest paid	(9,648)	(8,034)
Change in amounts due to intermediaries	(7)	-
Change in group undertaking loan	-	(92,520)
Change in amounts due to subsidiary undertakings	40,000	(4,275)
Change in immediate parent undertaking loans	6,307	105,720
Change in former ultimate parent undertaking loans[1]	-	87
Net cash from financing activities	36,652	978
Net increase in cash and cash equivalents	87,184	19,488
Cash and cash equivalents at beginning of the year	30,086	10,598
Cash and cash equivalents at end of the year	117,270	30,086

[1]The movement here relates to the former parent, Old Mutual plc

The notes on pages 15 to 38 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

1 GENERAL INFORMATION

Old Mutual Wealth Holdings 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards (“IFRSs”) as adopted by the EU. The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which have been recognised at fair value. The financial statements have been prepared in pounds sterling and are rounded to the nearest thousand. These are separate financial statements as the company has elected under IFRS 10 paragraph 4 not to prepare consolidated financial statements.

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. 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.

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

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; and
- 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 company 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 not expected to be applicable for the company:

- IFRS 17 *Insurance Contracts* (yet to be endorsed by the EU)
- IFRIC 23 *Uncertainty over Income Tax Treatments (*endorsed by the EU*)*

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

The company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. It is important to determine whether management’s strategy in holding the financial asset is to earn contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The fair value of quoted financial investments, which represents the vast majority of the company's investments, are based on the value within the bid-ask spread that is most representative of fair value. If the market for a financial investment is not active, the company establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow or option pricing models.

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.

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

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents, other than money market collective investment funds, approximates to their fair value.

Other investments
Investments are classified as FVTPL at initial recognition and are stated at fair value, with any resultant gain or loss recognised in the income statement. At the reporting date the equity investments are valued at quoted bid market price. Purchases and sales of securities are recognised on the trade date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and advances
Loans and advances are non-derivative financial instruments with fixed or determinable terms of repayment that are not quoted in an active market.

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. Each loan is valued on an individual basis.

Other receivables
Other receivables are non-interest bearing and are stated at amortised cost using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts which approximates to fair value.

Interest bearing liabilities
Interest bearing liabilities are recognised initially at the proceeds received, net of transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Other payables
Other payables are short-term, non-interest bearing and are stated at amortised cost, which is not materially different to cost and approximates to fair value.

Investments in subsidiaries
Parent company investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the income statement as they occur, except where impairments arise only as the result of group structure in which case they are dealt with directly in equity.

Impairment of financial assets
The impairment model applies to financial assets measured at amortised cost. Financial assets at amortised cost include trade receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value).

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 two main types of financial assets that are measured at amortised cost:
– 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; and
– loans 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.

Write-offs
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the company concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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.

The areas where judgements and estimates have the most significant effect on the amounts recognised in these financial statements are summarised below:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Area	**Critical accounting judgements**	**Note**
Impairment charges - presentation	Impairments to investments in subsidiaries are shown in the income statement or, if related only to the group's structure, shown directly within equity. Impairment charges in equity reflect management judgement in respect of the company giving up expectations of certain future cash flows that would have arisen from subsidiaries, but for changes or planned changes to the group structure.	9

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**
Investment in subsidiaries – measurement	Investments in subsidiaries are initially held at historical cost and tested annually for impairment. Where the values of the subsidiaries are impaired, then investments in subsidiaries are carried at management's estimate of the recoverable value, being the higher of the value-in-use or fair value less costs to sell. The recoverable value of the company's asset management and life assurance trading subsidiaries, including companies that have direct or indirect investments in underlying trading subsidiaries, is based on their value-in-use, which incorporates the discounted value of expected future cash flows. This calculation includes significant estimates relating to forecast cash flows, new business growth and discount rates. The higher of fair value less costs to sell is used to measure the recoverable value of the company's financial adviser subsidiaries. The fair value methodology uses the Assets under Advice ("AuA") at the period end and applies a multiplier based on recent Quilter Financial Planning and other industry acquisitions. This calculation assumes an estimated market based multiplier to measure the fair value of the investment. The value-in-use calculation incorporates the discounted value of expected future cash flows and is subject to significant estimates relating to cash flows, new business growth and discount rates. The recoverable value of the company's non-trading subsidiaries is based on the fair value less costs to sell, which is not subject to any significant estimates.	9
Deferred tax – measurement	The recognition of deferred tax assets is subject to the estimation of future taxable profits, which is based on the Quilter plc group annual business planning process and in particular on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements and related movements in foreign exchange rates, together with estimates of net client cash flow, expenses and other charges. Tax planning is undertaken on a group-wide basis and the business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the group assesses recoverability based on estimated taxable profits over a 3 year planning horizon. Where credible longer term profit forecasts are available the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing. Sensitivity analysis demonstrates significant headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the Quilter plc group 3 year planning horizon. The impact of a 20% decrease in group profitability over that period has been assessed and would not result in any impact over recoverability of deferred tax assets.	14

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate
An associate is an entity over which the company has significant influence but not control or joint control. The investment in associate is accounted for using the equity method of accounting, after initially being recognised at cost.

The company's share of its associate's post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. Where the company's share of losses in an associate equals or exceeds its interest in the associate, the company does not recognise further losses.

Revenue recognition
Revenue is recognised as follows:

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount.

Dividend income
Dividend income from investments is recognised when the shareholder's right to receive payments has been established.

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

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

Taxation
Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. 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 the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

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

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

3 FINANCIAL INSTRUMENTS RISK

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; and
– 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
The company defines operational risk as the risk of failure of people, processes, systems or external events which results in financial loss, damage to brand/reputation or adverse regulatory intervention or government or regulatory fine.

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

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 group results may be materially adversely affected by conditions in global capital markets, the global economy generally and the UK economy in particular that result in a decrease in the value of customer investment portfolios. The volatility and strength of debt and equity markets, the direction and pace of change of interest rates and inflation all affect the economic environment, investor confidence, our reputation and, ultimately, the volume and profitability of Quilter plc group business.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

3 FINANCIAL INSTRUMENTS RISK (continued)

The company is exposed to limited interest rate risk except in respect of loans to and from group undertakings and surplus cash which is held on overnight deposit and current accounts. The amount of cash held at 31 December 2019 was £81,070,000 (2018: £17,577,000).

The effective interest rate applicable to interest bearing financial instruments is as follows:

	2019 Variable	2018 Variable
Assets		
Overnight deposit	0.70%	0.68%
Current account	0.26%	0.23%

Price risk
The company is exposed to increased market price risk through its investments in equities as described in note 11; there is an equity price risk of £30,000 (2018: £1,218,000).

Liquidity risk
The risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due, or that market conditions preclude the ability of the firm to trade in liquid assets in order to maintain its asset/liability matching ("ALM") profile.

The liquidity strategy is to maintain sufficient liquidity within the business such that it can meet its target liquidity requirement at all times. The minimum requirements are set out in the Liquidity Policy that ensures a risk appetite statement, limits and triggers are in place, supported by an appropriate Contingency Funding Plan that addresses potential liquidity requirements that may arise during a liquidity stress.

Sensitivity tests
Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2019 and 31 December 2018.

The sensitivities described below are only in respect of the company's holdings of cash, loans and equities as described in the Market Risk section above. Changes in interest rates and equity market prices also impact the profitability and related valuation of subsidiaries which can, in certain circumstances, result in impairments to the carrying values of those subsidiaries as further explained in 'Critical accounting estimates and judgements' in Note 2.

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.

A decrease in interest rate of 1% would have increased profit and shareholder's equity by £1,205,000 (2018: increase £985,000) after tax; an equal change in the opposite direction would have decreased profit by £718,000 (2018: decrease £843,000) after tax. The reduction in profit would however be limited to the amount of interest received, as the company only has accounts currently attracting interest of less than 1%.

Equity price sensitivity
A 10% movement in equity prices would impact the investments whose valuations are based on market prices. In this analysis, all gains are assumed to be realised gains.

An increase in equity prices by 10% would have increased profit by £2,000 (2018: £99,000) after tax. An equal change in the opposite direction would have decreased profit by £2,000 (2018: £99,000) after tax.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

4 INVESTMENT RETURN

	Note	2019 £'000	2018 £'000
Investment income and realised gains			
Interest receivable from immediate parent	23	301	279
Interest receivable from subsidiary undertaking[1]	23	1,622	-
Dividends from subsidiary Old Mutual Wealth UK Holding Limited	23	140,000	-
Dividends from subsidiary Quilter Cheviot Holdings Limited	23	36,000	45,000
Dividends from other investments		28	28
Profit on sale of subsidiaries	23	128	2,304
Interest on short term bank deposits (amortised cost)		91	126
Interest on short term bank deposits (mandatorily at FVTPL)		231	50
		178,401	47,787
Realised gains			
Realised gains on equities, net		624	-
Unrealised gains			
Unrealised gains on equities, net		-	130
		179,025	47,917

[1]Old Mutual Wealth UK Holding Limited

The interest on the loan to parent undertaking and the dividends from subsidiary undertakings reflects the only investment return on financial assets not held at fair value. All other investment returns reflect gains on financial assets that are designated at fair value through the income statement. There has been no interest income earned on financial assets that are subject to impairment.

5 ADMINISTRATIVE EXPENSES

	Note	2019 £'000	2018 £'000
Administrative expenses		98	116
Administrative expenses include:			
Management fees paid to subsidiary undertaking	23	97	131
Of which:			
Auditor's remuneration: services paid to KPMG LLP		11	11

Auditor's remuneration for services consists of fees in respect of the statutory audit. There are no non-audit fees (2018: nil).

6 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2019 £'000	2018 £'000
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	1,129	1,761
Company pension contribution to money purchase schemes	32	32
Share-based payments	517	515

Six directors had money paid to money purchase schemes during the year (2018: four).

Five directors received or were due to receive shares or share options under a long term incentive scheme (2018: three). Four directors (2018: four) exercised options during the year.

Share-based payments were in Old Mutual plc shares for the period up to the Quilter plc listing date (25 June 2018), and in Quilter plc shares for the period from listing date onwards.

	2019 £'000	2018 £'000
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	477	1,143
Company pension contribution to money purchase schemes	6	6

The highest paid director exercised share options in the current year and in the prior year.

The directors' emoluments disclosed above are in respect of the four directors of the company in office during the year who are directly employed by Quilter Business Services Limited (formerly Old Mutual Wealth Business Services Limited), a fellow group undertaking (2018: four directors). During the year the company paid £7,566, relating to directors' remuneration, to Quilter Business Services Limited as part of the management fee.

The above disclosure includes the remuneration of those directors in relation to their services to this company and its subsidiaries. The remuneration for each director is apportioned on the basis of time spent across the company and its subsidiaries but restricted to the period in which they were a director of this company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

7 FINANCE COSTS

	Note	2019 £'000	2018 £'000
Financing costs for liabilities held at amortised cost			
Interest payable to parent undertaking	23	10,460	9,074
Interest payable to subsidiary undertaking[1]	23	691	10
Interest payable to previous parent undertaking	23	-	123
		11,151	9,207

[1] Old Mutual Wealth UK Holding Limited

8 TAXATION

	2019 £'000	2018 £'000
Current tax expense		
Current year corporation tax credit	(1,711)	(5,076)
Prior year corporation tax charge	325	3,411
	(1,386)	(1,665)
Deferred tax expense		
Deferred tax charge/(credit)	754	(3,141)
	754	(3,141)
Tax credit on profit on ordinary activities	(632)	(4,806)
Factors affecting tax charge for the period		
Profit before tax	80,908	38,624
Corporation tax charge 19% (2018: 19%)	15,373	7,339
Effect of:		
UK dividends receivable	(33,445)	(8,555)
Sale of subsidiary not taxable	(143)	(438)
Impairment of subsidiaries not tax deductible	16,488	-
Unrealised gain on investments not tax deductible	-	(25)
Expenses not deductible for tax purposes	17	-
Other non-taxable income	-	(32)
Utilisation of previously unrecognised deferred tax	-	(3,365)
Recognition of previously unrecognised deferred tax assets	-	(3,141)
Prior year corporation tax charge	324	3,411
Prior year adjustments to deferred tax	424	-
Effect on deferred tax for changes in tax rates	331	-
	(632)	(4,806)

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%.

9 INVESTMENTS IN SUBSIDIARIES

	2019 £'000	2018 £'000
Investment in subsidiary undertakings	1,340,126	1,266,804

Investments in subsidiaries are stated at cost, less impairment in value.

Movement analysis	Investments in subsidiaries £'000
At 1 January 2018	1,617,940
Investment in subsidiaries	42,270
Impairment provision	(393,406)
At 31 December 2018	1,266,804
Investment in subsidiaries	160,100
Impairment provision	(86,778)
At 31 December 2019	1,340,126

2018 investment in subsidiaries
On 27 March 2018, the company purchased £17,370,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 26 June 2018, the company purchased £7,570,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 10 December 2018, the company purchased £9,000,000 of £1 ordinary shares in its subsidiary Old Mutual Wealth Limited.

On 14 December 2018, the company purchased £8,330,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

2019 investment in subsidiaries
On 14 February 2019, the company purchased £32,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 21 March 2019, the company purchased £11,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 25 March 2019, the company purchased £10,000,000 of £1 ordinary shares in its subsidiary Old Mutual Wealth Limited.

On 27 March 2019, the company purchased £50,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 11 July 2019, the company purchased £10,400,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 23 July 2019, the company purchased £25,000,000 of £1 ordinary shares in its subsidiary Old Mutual Wealth Limited.

On 16 December 2019, the company purchased £21,700,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

9 INVESTMENTS IN SUBSIDIARIES (continued)

The subsidiary undertakings at the year end, all wholly owned and registered in England and Wales as noted, are:

Company name	Share class	Registered office address
Old Mutual Wealth Life & Pensions Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Nominees Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth UK Holding Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Charles Jacques Limited	Ordinary	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Freedom Financial Planning (Manchester) Ltd.	Ordinary A	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Prescient Financial Intelligence Limited	Ordinary	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Quilter Pension Trustees Limited	Ordinary	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Quilter Private Client Advisers Limited	Ordinary	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Maestro Financial Services Limited (in liquidation)	Ordinary	Hill House, 1 Little New Street, London, EC4A 3TR
NPL Financial Limited (in liquidation)	Ordinary	Hill House, 1 Little New Street, London, EC4A 3TR
Premier Planning Limited (in liquidation)	Ordinary	Hill House, 1 Little New Street, London, EC4A 3TR
Cheviot Capital (Nominees) Limited	Ordinary	One Kingsway, London, WC2B 6AN
Quilpep Nominees Limited	Ordinary	One Kingsway, London, WC2B 6AN
Quilter Cheviot Holdings Limited	Ordinary	One Kingsway, London, WC2B 6AN
Quilter Cheviot Limited	Ordinary	One Kingsway, London, WC2B 6AN
Quilter Nominees Limited	Ordinary	One Kingsway, London, WC2B 6AN
Violet No.2 Limited	Ordinary	One Kingsway, London, WC2B 6AN
Blueprint Distribution Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Blueprint Financial Services Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Blueprint Organisation Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Caerus Bureau Services Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Caerus Capital Group Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH

9 INVESTMENTS IN SUBSIDIARIES (continued)

Quilter Financial Limited	Ordinary A	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Caerus Holdings Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Caerus Wealth Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Caerus Wealth Solutions Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Intrinsic Cirilium Investment Company Limited	Ordinary A	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Quilter Financial Services Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Quilter Financial Planning Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Intrinsic Financial Solutions Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Quilter Mortgage Planning Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Intrinsic Valuation Services Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Intrinsic Wealth Financial Solutions Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Quilter Wealth Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, SN1 5AH
Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services) Limited)	Ordinary	Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY
Think Synergy Limited	Ordinary	Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY
Falcon Financial Advice Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Advisory Services Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Benefits Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Corporate Services Ltd	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Direct Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Financial Advice Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Financial Adviser Services Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Financial Advisers Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

9 INVESTMENTS IN SUBSIDIARIES (continued)

Lighthouse Group plc	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Pensions Help Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Support Services Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse Wealth Management Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouse+ Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
LighthouseCarrwood Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthouseplus Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Lighthousetemple Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
LighthouseWealth Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
LighthouseXpress Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Luceo Asset Management Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
The Falcon Group Limited	Ordinary	26 Throgmorton Street, London, EC2N 2AN
Quilter Financial Advisors Limited	Ordinary	6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB
Charles Derby Group Limited	Ordinary	6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB
Charles Derby Private Clients Limited	Ordinary A	6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB
Charles Derby Wealth Management Limited	Ordinary	6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB
Forward Thinking Wealth Management Limited	Ordinary	6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB
D G Pryde Limited	Ordinary A	No2. Lochrin Square, 96 Fountainbridge, Edinburgh, Scotland, EH3 9QA
Financial Services Advice & Support Limited	Ordinary	C/O Addleshaw Goddard LLP, 19 Canning Street, Edinburgh, Scotland, EH3 8EH
Quilter International Business Services Limited (formerly Old Mutual International Business Services Limited) (incorporated in the Isle of Man)	Ordinary	King Edward Bay House, King Edward Road, Onchan, IM99 1NU
Quilter International Holdings Limited	Ordinary	King Edward Bay House,

9 INVESTMENTS IN SUBSIDIARIES (continued)

(formerly Old Mutual International Holdings Limited) (incorporated in the Isle of Man)		King Edward Road, Onchan, IM99 1NU
Quilter International Isle of Man Limited (formerly Old Mutual International Isle of Man Limited) (incorporated in the Isle of Man)	Ordinary	King Edward Bay House, King Edward Road, Onchan, IM99 1NU
Quilter International Trust Company Limited (formerly Old Mutual International Trust Company Limited) (incorporated in the Isle of Man)	Ordinary	King Edward Bay House, King Edward Road, Onchan, IM99 1NU
Quilter Cheviot Europe Limited (incorporated in Ireland)	Ordinary	Hambledon House, 2nd Floor, 19/26 Lower Pembroke Street, Dublin 2
Old Mutual International Ireland dac (incorporated in Ireland)	Ordinary	Hambledon House, 2nd Floor, 19/26 Lower Pembroke Street, Dublin 2
Pembroke Quilter (Ireland) Nominees Limited (incorporated in Ireland)	Ordinary	Hambledon House, 2nd Floor, 19/26 Lower Pembroke Street, Dublin 2
Quilter Cheviot International Limited (incorporated in Jersey)	Ordinary A	3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ
C.I.P.M. Nominees Limited (incorporated in Jersey)	Ordinary	3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ
QGCI Nominees Limited (incorporated in Jersey)	Ordinary	3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ
Quilter International Middle East Limited (incorporated in United Arab Emirates)	Ordinary	7&8, Level 2, Gate Village 7, Dubai International Financial Centre, Dubai, 482062
AAM Advisory PTE, Limited (incorporated in Singapore)	Ordinary	138 Market Street, #06-01/02 Capita Green, Singapore, 048946

Impairment testing
In accordance with the requirements of IAS 36 *Impairment of Assets*, the investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investment to the recoverable value, being the higher of the value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value.

The recoverable value of the company's asset management and life assurance trading subsidiaries, including companies that have direct or indirect investments in underlying trading subsidiaries, is based on their value-in-use, which incorporates the discounted value of expected future cash flows. This calculation includes significant estimates relating to forecast cash flows, new business growth and discount rates.

The higher of fair value less costs to sell is used to measure the recoverable value of the company's financial adviser subsidiaries. The fair value methodology uses the Assets under Advice ("AuA") at the period end and applies a multiplier based on recent Quilter Financial Planning ("QFP") and other industry acquisitions. This calculation assumes an estimated market based multiplier to measure the fair value of the investment. The value-in-use calculation incorporates the discounted value of expected future cash flows and is subject to significant estimates relating to cash flows, new business growth and discount rates.

The recoverable value of the company's non-trading subsidiaries is based on the fair value less costs to sell, which is not subject to any significant estimates.

9 INVESTMENTS IN SUBSIDIARIES (continued)

Key assumptions applied and results of the value-in-use calculation for asset management and life assurance subsidiaries

Life assurance companies

The value-in-use calculations for life assurance companies are determined as the sum of net tangible assets, the expected future profits arising from the in-force business, together with the expected profits from future new business derived from the business plans. Future profit elements allow for the cost of capital needed to support the business. The net tangible assets and future profits arising from the in-force business are derived from Solvency II ("SII") calculations. The value of in-force ("VIF") is calculated as the prospective value of future expected cash flows on all in-force policies at the valuation date on a policy-by-policy basis allowing for surrender or transfer payments, death claims, income withdrawals, maintenance expenses, fund-based fees, mortality charge/protection premiums and other policy charges. The underlying assumptions are based on the best estimate view for the future, which is largely based on recent business experience and any emerging trends. The unit fund growth rates (gross of investment charges) and the risk discount rates are set using the prescribed SII term-dependent risk-free interest rates.

Asset management companies

The value-in-use calculations for asset management companies are determined as the sum of net tangible assets and the expected profits from existing and expected future new business. The cash flows that have been used to determine the value-in-use of the cash generating units are based on three-year business plans. These cash flows grow at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the profits are forecast to grow faster than the more mature businesses. Post the three-year business plan, the growth rate used to determine the terminal value of the CGUs in the annual assessment approximates to the UK long-term growth rate of 0.8% (2018: 2.1%). Market share and market growth information are also used to inform the expected volumes of future new business.

Key assumptions in value-in-use calculations

	2019	2018
Period on which management approved forecasts are based	5 - 20 years	5 - 20 years
Growth rate applied beyond approved business plan period	0.8%	2.1%
Discount rate applied to future cash flows	10.1%	10.8%

Impairment tests performed on life assurance companies

Based upon the results of the comparison of value-in-use with the carrying value, management believes that no impairment is required at the year end. In addition, management believe that any reasonable change in assumptions would not cause the recoverable amounts to fall below the carrying amounts. Accordingly, no impairment charge has been recognised at the year end.

Impairment tests performed on asset management companies

During the year the value of the investment in Quilter Cheviot Holdings Limited was written down by £86,779,000 (2018: impairment of £145,930,000), as a result of the value-in-use falling below the carrying value.

The prior year impairment arose following the decision to not proceed with a number of aspects of a planned restructure of subsidiaries in the group, in particular the transfer of Quilter Investors Limited from its parent Quilter plc to Old Mutual Wealth Holdings Limited, which would have brought significant value into the cash generating unit. Management's judgement was that this impairment should be accounted for directly in equity, as there were related cash flows within other group holding companies that would otherwise have supported the value of the impaired subsidiary, but for the group structure.

Sensitivity of impairment assessment for value-in-use calculation

The value-in-use calculation includes significant estimates relating to forecast cash flows, new business growth and discount rates. Due to the level of estimation involved in this calculation, it is subject to sensitivity tests, including the impacts of a 10% reduction in future cash flows and a 1% increase in the discount rate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

9 INVESTMENTS IN SUBSIDIARIES (continued)

The following table shows the consequence of the downside sensitivities of key assumptions within the value-in-use calculations on the carrying amount of the company's investment in subsidiary balance at 31 December 2019:

	Investment in subsidiaries
	£000
Forecast cash flows reduced by 10%	41,518
Discount rate increased by 1%	14,739

Key assumptions applied and results of the fair value less costs to sell calculation for the financial adviser subsidiaries
The fair value less costs to sell valuation is determined by applying an estimated market based multiplier of 1.00% to the AuA at 31 December 2019. The multiplier is estimated with reference to the recent acquisition of the Lighthouse Group in June 2019 and the outcomes of several recent acquisitions within the financial adviser industry.

Impairment tests performed on financial adviser companies
Based upon the results of the comparison of fair value less costs to sell with the carrying value, management believes that no impairment is required at the year end. In addition, management believe that any reasonable change in the key assumption would not cause the recoverable amounts to fall below the carrying amounts. Accordingly, no impairment charge has been recognised at the year end.

During the prior year the value of the investment in Quilter Financial Planning Limited was written down by £247,476,000 as a result of the recoverable amount falling below the carrying value. As with the prior year impairment of the investment in Quilter Cheviot Holdings Limited, this impairment also resulted from the same planned restructure not taking place, hence it was management's judgement that this impairment should be accounted for directly in equity.

The prior year impairment test of the investment in Quilter Financial Planning Limited was based on a value-in-use methodology, consistent with that applied to the asset management companies. Due to the impact of COVID-19 on the latest cash flow forecasts used as part of the value-in-use assessment and because of the highly integrated nature of the Quilter Financial Planning business, where significant value is recognised elsewhere in the Quilter Group, management believe that a fair value less costs to sell methodology now better reflects the underlying value of the business.

10 INVESTMENTS IN ASSOCIATE

	2019	2019	2018	2018
	Carrying value	Company share of profit/(loss)	Carrying value	Company share of profit/(loss)
	£'000	£'000	£'000	£'000
Name of the company				
360 DOT NET LIMITED	1,465	(90)	1,555	30

The registered office address is 12-14, Upper Marlborough Road, St.Albans, Hertfordshire, AL1 3UR.

On 31 December 2018, the outstanding loan of £784,000 to 360 DOT NET Limited was converted to 693 Ordinary A shares of 360 DOT NET Limited, increasing the company's investment to 17.5%.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

11 OTHER INVESTMENTS

	2019 Cost £'000	2019 Fair value £'000	2018 Cost £'000	2018 Fair value £'000
Lighthouse Group Plc	-	-	450	1,218
Corporate investment	30	30	-	-
	30	30	450	1,218

The equity investments are listed and are mandatorily at FVTPL.

The company previously held an investment in Lighthouse Group plc prior to the acquisition of its entire share capital in 2019 (refer to Strategic Report). The company also made an investment of £30,000 into Old Mutual Wealth Limited, a fellow subsidiary undertaking. The investment provided initial funding for the new platform.

12 LOANS AND ADVANCES

	Note	2019 £'000	2018 £'000
Lending to immediate parent company at 1 month LIBOR + 0.5%	23	-	25,481
Lending to subsidiary undertaking at 1 month LIBOR + 0.5%[1]	23	122,704	122,704
		122,704	148,185

[1] Old Mutual Wealth UK Holding Limited

All loans are recognised at amortised cost, with their carrying amount approximating to fair value.

All loans are repayable on demand. There have been no non performing loans, loans subject to renegotiations or material impairments on loans and advances.

13 DEFERRED TAX

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

	Tax losses carried forward £'000
Asset at 31 December 2018	3,141
Movement in the year	(754)
Asset at 31 December 2019	2,387

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%.

A deferred tax asset or liability is recognised to the extent that temporary differences are expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

13 DEFERRED TAX (continued)

The value of the deferred tax assets not recognised as at 31 December 2019 was £11,464,000 (2018: £10,771,000). This relates to gross carried forward losses of £67,433,000 (2018: £63,357,000).

14 OTHER RECEIVABLES

	Note	2019 £'000	2018 £'000
Bank interest		23	13
Due from fellow group undertakings[1]	23	-	84
Due from intermediaries		-	116
		23	213

[1]Quilter Business Services Limited

All amounts due from group companies are unsecured and are settled quarterly. All amounts are current, short term and interest free and recognised at amortised cost, with the carrying amount approximating to fair value.

There have been no non-performing receivables or material impairments in the financial year that require disclosure. None of the receivables reflected above have been subject to the renegotiation of terms.

15 CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Bank balances	81,070	17,577
Money market OEIC investments	36,200	12,509
Cash and cash equivalents	117,270	30,086
Credit ratings		
Bank balances		
A	55,770	17,577
AA	25,300	-
	81,070	17,577
Money market OEIC investments		
A	-	12,509
AAA	36,200	-
	36,200	12,509

Bank balances are current and recognised at amortised cost. Money market investments are recognised mandatorily at FVTPL. Bank balances are subject to a 12 month ECL.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

16 SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted and called up		
Fully paid - 115,600,000 (2018: 115,600,000) ordinary shares of £1 each	115,600	115,600
Partly paid - 2,500,000 (2018: 2,500,000) ordinary shares of £1 each, 20p paid	500	500
	116,100	116,100

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

17 FINANCIAL INSTRUMENTS

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

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

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

2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through the income statement				
- other investments	30	-	-	30
- cash and cash equivalents - money market funds only	36,200	-	-	36,200
Total assets measured at fair value	36,230	-	-	36,230

2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through the income statement				
- other investments	1,218	-	-	1,218
- cash and cash equivalents - money market funds only	12,509	-	-	12,509
Total assets measured at fair value	13,727	-	-	13,727

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

18 INTEREST BEARING LIABILITIES

	Note	2019 £'000	2018 £'000
Loan from immediate parent undertaking at 1 year LIBOR + 0.5%	23	89,829	89,829
Loan from immediate parent undertaking at 10%	23	67,837	61,530
Loan from immediate parent undertaking at 1 month LIBOR + 1.304%	23	131,000	131,000
Loan from subsidiary undertaking at 1 month LIBOR + 1.304%[1]	23	40,000	-
		328,666	282,359

[1]Old Mutual Wealth UK Holding Limited

Amounts borrowed are unsecured and are repayable on demand. The carrying amount approximates to fair value which is valued as the principal amount repayable.

Amounts are recognised at amortised cost.

19 PROVISIONS

	Provision for warranties and indemnities £'000
Balance at 1 January 2018	244
Balance at 31 December 2018	244
Unused amounts reversed	(244)
Balance at 31 December 2019	-

The provision represents the directors' best estimate of the cost of warranty and indemnity claims following the sale of its subsidiary Skandia Life S.A.

20 OTHER PAYABLES

	Note	2019 £'000	2018 £'000
Due to subsidiary undertakings[1]	23	15	7
Due to immediate parent	23	6,563	1
Commission		15	23
Loan interest accrual		-	5,063
		6,593	5,094

[1]Quilter Business Services Limited and Old Mutual Wealth UK Holding Limited

All amounts are current and short term. Amounts due to group companies are unsecured, interest free and are settled quarterly. Amounts are recognised at amortised cost.

21 FINANCIAL AND CAPITAL COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

22 CONTINGENT LIABILITIES

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

23 RELATED PARTY TRANSACTIONS

The following transactions were entered into with related parties during the period:

	Note	2019 £'000	2018 £'000
Interest receivable from immediate parent	4	301	279
Interest receivable from subsidiary undertaking	4	1,622	-
Dividends from subsidiary undertaking	4	176,000	45,000
Profit on sale of subsidiaries	4	128	2,304
Management fees paid to group undertakings	5	97	131
Interest payable to parent undertaking	7	10,460	9,074
Interest payable to group undertaking	7	691	10
Interest payable to previous parent undertaking	7	-	123
Investment in subsidiary undertaking - addition	9	160,100	42,270
Investment in subsidiary undertaking - impairment	9	(86,778)	(393,406)
Lending to immediate parent company at 1 month LIBOR + 0.5%	12	-	25,481
Lending to subsidiary undertaking at 1 month LIBOR + 0.5%	12	122,704	122,704
Due from subsidiary undertakings	14	-	84
Loan from immediate parent undertaking at 1 year LIBOR + 0.5%	18	89,829	89,829
Loan from immediate parent undertaking at 10%	18	67,837	61,530
Loan from immediate parent undertaking at 1 month LIBOR + 1.304%	18	131,000	131,000
Loan from subsidiary undertaking at 1 month LIBOR + 1.304%	18	40,000	-
Due to subsidiary undertakings	20	15	7
Due to immediate parent	20	6,563	1

Management services in the current and prior period are provided by Quilter Business Services Limited, a fellow group undertaking. Quilter Business Services Limited charges a management fee for costs incurred and services provided. This management fee is charged at cost plus mark-up.

24 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.

As explained in note 9, the carrying value of the company’s subsidiaries is estimated based on management’s best estimate of the expected future cash flows. The cash flows used in the calculation have incorporated the forecast impact of COVID-19.

The COVID-19 pandemic is expected to have minimal impact on the company’s revenues which are not directly impacted by market movements, being investment return from subsidiaries and the company’s immediate parent, and interest received on short term bank deposits.

On 12 April 2020, the company purchased £12,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

On 14 April 2020, the company purchased £12,000,000 of £1 ordinary shares in its subsidiary Old Mutual Wealth Limited.

On 1 May 2020, the company purchased £12,000,000 of £1 ordinary shares in its subsidiary Quilter Cheviot Holdings Limited.

On 30 June 2020, the company purchased £23,000,000 of £1 ordinary shares in its subsidiary Quilter Financial Planning Limited.

25 ULTIMATE PARENT COMPANY

The company's 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 and Wales. The financial statements are available from:

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