ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2019

Quilter Financial Planning Limited (formerly Intrinsic Financial Services Limited)

Registered in England and Wales No. 05372217

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COMPANY INFORMATION

Directors	C J L Samuel (Chairman) K A Cook M Dean S C Gazard M L Ismail K R Lambden P S Matthews
Secretary	Quilter CoSec Services Limited
Auditors	KPMG LLP 66 Queen Square Bristol BS1 4BE
Registered office	Wiltshire Court Farnsby Street Swindon SN1 5AH

STRATEGIC REPORT

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

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of Quilter Financial Planning Limited (formerly Intrinsic Financial Services Limited) (‘the Company’) is that of a holding company together with service provision and strategic and governance oversight to its subsidiary companies. The principal activities of its subsidiary companies include financial planning and mortgage advice through both a network of self-employed intermediaries and employed advisers.

The Company is part of the Quilter Group, the ultimate holding company of which is Quilter plc. Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the Company with strategic and governance oversight. The Company forms part of the Advice and Wealth Management segment of the Quilter Group.

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 Quilter Group’s model helps to generate prosperity for customers by providing the services to develop suitable financial plans, manage customers’ investments in risk-based solutions and by helping customers access modern wealth wrappers via the Group’s platforms. Quilter’s purpose and strategy are underpinned by core beliefs, which include: the belief in the value of trusted face-to-face advice, the right product choice for the customer and the belief modern, simple and transparent products should be easily accessible and good value. The directors of Quilter plc 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.

QUILTER FINANCIAL PLANNING LIMITED

Quilter Financial Planning Limited forms part of the Quilter Financial Planning Group: a network of over 3,800 financial advisers, including 1,809 restricted financial planners, who deliver face-to-face financial advice tailored to meet specific needs of the customer. The strategic aim of the Quilter Financial Planning Group is to provide a market leading customer experience through controlled distribution and a focus upon the delivery of full financial planning on a face-to-face basis with our target market of mass affluent and affluent customers. The Group is committed to offering a controlled advice proposition that delivers excellent customer outcomes, with a structure which ensures strong leadership and a strategic focus for advisers and clients in different market segments. The Group operates a business model with two core channels, a National and a Network.

National Channel

The focus of the National is to grow the number of clients directly serviced under the Quilter brand, taking greater control of the end-to-end client journey, providing clients with a consistent high-quality service experience. The National has been expanded to cover multiple market segments, growing from the original Quilter Private Client Advisers (QPCA) base which focused on high net worth and affluent clients, to expand through the acquisitions of Charles Derby Group (CDG, rebranded as Quilter Financial Advisers (QFA)), and Lighthouse Group (Lighthouse), and now incorporates both employed and self-employed adviser models. The National Channel now has two elements, QPCA which services high net worth clients through employed advisers and QFA, which services affluent clients through both employed and self-employed advisers.

STRATEGIC REPORT (continued)

Network Channel

The Network model continues to focus on mass affluent and high net worth client segments through its model of partnering with third party firms who generate and service their own client base, but still want access to a leading client proposition under a relationship whereby the regulatory control framework and associated responsibilities are robustly managed through the Quilter Financial Planning Group. The focus of the Network continues to be to drive growth in restricted financial planners to broaden the reach and penetration of the solutions offered by the wider Quilter Group, where in the best interests of the client.

INVESTMENT IN QUILTER PRIVATE CLIENT ADVISERS

The Company continues to invest in the growth of QPCA within the National business, a Quilter branded advice proposition serving affluent and high net worth clients. This is through an employed adviser model using a restricted proposition focused on the Quilter UK platform and investment solutions developed by Quilter Investors Limited and Quilter Cheviot Limited, fellow subsidiaries within the Quilter Group. With the Company's financial support, QPCA has actively acquired advice businesses and client banks of retiring advisers through 2019 in order to establish and build a national presence in six core regional locations across the United Kingdom. The 2019 acquisitions saw £0.3bn of AuM acquired and integrated into QPCA. The future strategy is to continue to grow this business through acquisitions, enabling the further development of the six regional offices.

ACQUISITION OF CHARLES DERBY GROUP

In February 2019, the Company acquired the remaining 90% of the share capital in Charles Derby Group Limited. The acquisition saw over 200 restricted financial advisers transition to the National advice business during H1 2019 and the subsequent rebrand as ‘Quilter Financial Advisers’. The acquisition of Charles Derby Group continues to support the delivery of the Company’s acquisition growth strategy. The value and benefit of the Charles Derby Group acquisition will be the integrated flows recognised within the broader Quilter Group. As a long-standing member of the Quilter Financial Planning advice network, Charles Derby already operated within the Company’s advice framework, which has ensured minimal disruption for its clients and advisers during integration.

ACQUISITION OF LIGHTHOUSE GROUP PLC

Quilter Financial Planning Limited acquired 100% of Lighthouse Group plc (Lighthouse) in June 2019, 4% of the share capital having previously been owned by the wider Quilter Group. The acquisition saw the Quilter Financial Planning Group grow by over 380 employed and self-employed financial planners, spread across both the National and Network business segments. In addition, the acquisition is expected to support continued growth through a number of existing affinity arrangements across health, education and trade union bodies. The acquisition supports the Company’s strategic direction to grow its distribution capacity, in particular to extend its National advice business and client offering to mass affluent clients.

Prior to its acquisition by Quilter Financial Planning, Lighthouse provided pension transfer advice to around 300 British Steel pension scheme members between 2016 and 2018. The Company was advised after the 2019 year end of a number of complaints relating to the advice given in respect of the above. A review of British Steel pension scheme cases advised by Lighthouse has been initiated to assess the standard of advice given to British Steel pension scheme members.

STRATEGIC REPORT (continued)

Within the financial statements of Lighthouse Advisory Services Limited (“LASL”), a provision of £17 million has been calculated for the potential redress of all complaints received as at the date on which the LASL 2019 financial statements were approved where the likelihood of redress is probable. This amount includes £3 million to cover anticipated legal and professional fees and other costs associated with the redress process. A contingent liability note in the LASL 2019 financial statements reflects that, it was not possible as at the date on which the LASL 2019 financial statements were approved, to estimate any additional potential redress payments that might arise with any degree of accuracy, and that the impact of any such additional payments might be material. The inability to estimate any additional potential redress is due to factors including the absence of complaints received in respect of the remaining cases, and the complexity of the individual calculations necessary to calculate any redress and associated costs that may ultimately be payable.

Note 10 to the financial statements describes the Company’s annual impairment test in which the carrying values of the Company's investments in subsidiaries are compared to the estimated recoverable value to determine whether an impairment is required. As outlined in Note 10 and reflecting the matters outlined above together with the consideration given to the future cash flow benefits of its investment in Lighthouse, the Company has recognised an impairment to the carrying value of Lighthouse of £10.8m, being a reduction from £46.2m to £35.4m.

The Company continues to provide financial support to Lighthouse and contributed £25m of capital into Lighthouse, £15m 21 April 2020 and £10m 29 June2020. The capital injection is funded in part by a £23m capital injection from the Company’s parent company, Old Mutual Wealth Holdings Limited – refer note 28. The Company has confirmed to Lighthouse Advisory Services Limited that it will continue to make funds available to it for the foreseeable future, being a minimum of 18 months from the 26th May 2020, the date on which the Lighthouse Advisory Services Limited financial statements were approved, and will not seek repayment of funds provided during that period. The Company has in turn received a capital requirement commitment from Quilter plc its ultimate parent.

STRATEGY REVIEW AND IMPLEMENTATION

The Company has increased its market coverage with an 11% year-on-year increase in employed and self-employed advisers and has developed its business model through the growth of both its National and Network adviser channels. The Company continues to believe in the importance of face-to-face financial advice in a UK market which is increasingly complex for retail customers. This complexity, arising from factors including demographics, government reforms such as Pensions Freedom, provides clear opportunity to demonstrate the value and importance of professional financial advice. The Company continues to monitor developments in this market, including the growth of technology, to maintain strong compliance and a high standard of advice for customers and it continues to evaluate these challenges and opportunities in order to position the business for its next phase of growth.

Consideration of the impact of the new coronavirus SARS-CoV-2 (“Covid-19”) pandemic is provided as necessary throughout the Annual Report and Financial Statements including within the Key Performance Indicators of the Strategic Report below.

BUSINESS MATURITY

The Company is a well-integrated business within Quilter plc, with an acquisition strategy and a clear vision of delivering good customer outcomes. The Company continues to build and maintain a robust risk and control environment with overarching governance, ensuring the Company is well placed and operating with the appropriate level of control to remain within the Board’s risk appetite, supporting the projected growth of the business including future acquisitions. As a subsidiary within the Quilter Group, the Company is not required to produce financial statements that consolidate the performance of its subsidiary companies.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS (KPIs)
Management evaluate the performance of the business using a number of measures. Key metrics for Quilter Financial Planning including its subsidiaries were as follows:

	2019	**2018**
Total adviser headcount number	3,906	3,508
Employee number (includes self-employed advisers)	654	676
	£'000	**£'000**
Revenue	96,859	79,098
Administrative expenses	131,228	96,801
Operating loss	(34,369)	(17,703)
Cash	113,961	93,395
Net assets	276,062	169,216

As a result of continued emphasis on delivering growth in its subsidiaries through adviser recruitment and business acquisition, together with on-going discretionary investment in infrastructure to support the advice businesses which it services, the Company is continuing to report losses. This position is consistent with the Quilter Group's plan and risk appetite and the benefit from the ongoing acquisition strategy is seen in the integrated flows delivered across the Group. The increased cost of this investment, which remains at the Group Board's discretion to support the wider Quilter Group strategy, has more than offset the revenue growth, generated by recharges to subsidiary companies, resulting in an increase in the operating loss year-on-year to £34.4m (2018: £17.7m). Included within the Administrative expenses are one off non-recurring expenses of £3m relating to acquisition costs. The Company is well positioned, as an integral part of the Quilter Group, in a market environment which is increasing the need for and importance of high-quality financial advice.

The withdrawal of the UK from the EU on 31 January 2020 continues to generate a level of uncertainty in the UK financial services sector. The effect of this uncertainty is the extent to which this translates into an impact upon advice income. The Company actively supports advisers in their communication with customers in order to mitigate the adverse impact of this uncertainty.

The Company's strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company from the UK's withdrawal from the European Union. The Company is part of a pan-Quilter project to manage the impacts on the business of this withdrawal. The Company is, however, exposed to additional risks, such as reducing investor confidence and adverse market reaction, as a result of the significant downturn in the markets due to COVID-19 As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will continue to benefit from ongoing capital support from Old Mutual Wealth Holdings Limited and the broader Quilter group.

At this time, COVID-19 has been recognised by the World Health Organisation as a global pandemic, therefore this will impact global supply chains, global market growth and employee availability over the next few years. The Company will be adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks depending on the extent of employment availability. The length and severity of the impact from COVID-19 remains a clear risk, although the Company would not expect this to materially change the underlying long-term prospects and going concern basis of the business.

Whilst there will be a detrimental impact on the Company's profitability and cash flow, Quilter plc, the Company's ultimate parent company, has confirmed to the directors that it intends to continue to make funds available to the Company for at least three years to 31 December 2022, and will not seek repayment of funds provided during that period.

STRATEGIC REPORT (continued)

Going Concern
In evaluating going concern the directors have given consideration to the matters outlined above, along with recognising the strategic importance of the Company to Quilter plc. This is evidenced by the £12m capital injection on 21 April 2020 and £23m capital injection on the 29 June 2020 from the Company's parent, Old Mutual Wealth Holdings Limited. Supporting the £25m invested by the Company into Lighthouse. Furthermore, Quilter plc, the Company's ultimate parent company, has confirmed its intention to provide continued capital support for at least the three years to 31 December 2022. Accordingly, these financial statements have been prepared on the basis of the Company being a going concern.

PRINCIPAL RISKS AND UNCERTAINTIES
The key business risks and uncertainties relate to investment market performance, adviser and customer persistency, expense levels and risks within operational activities associated with systems, processes, people and external influences. The Company does not seek market risk from trading securities with its own funds. The Company has limited risk appetite for credit risk via loans to Appointed Representatives and company cash held with counterparties. The risk management objectives and policies of the Company are disclosed in note 3. The principal risks and uncertainties facing the Company are those which impact upon the ability of its regulated subsidiaries to deliver sustainable advice profits that supports this ongoing investment in the business or regular dividend flows. These include:

Conduct risk management - The delivery of demonstrably suitable customer outcomes continues to be a central focus for the advice businesses. The Company is aware of the customer harm, regulatory and cost implications arising from the provision of unsuitable advice and/or ongoing servicing. It continues to provide adviser supervision and advice assessments through its compliance operations, monitoring arrangements and executive governance arrangements, with oversight of its systems and controls at the core of the company's control environment.

Cost of service provision - The Company acts as a service provider to the trading subsidiaries in which it has invested, the cost of which is charged to these businesses. Failure to provide a cost-effective service commensurate with the activities being undertaken will limit the advice profits that may be able to be generated. The business continues to adapt its structure and resourcing both in light of the ongoing expansion of the business and its business maturity journey as it further integrates within the Quilter Group.

Investment in growth and development - The Company determines and implements strategy for the Quilter Financial Planning Group (being Quilter Financial Planning Limited and all its subsidiaries) in line with the strategy of the Quilter Group. With the active support of Quilter plc, the Company is continuing to pursue a number of growth initiative and integration opportunities. These have, as expected, resulted in additional cost and risk, which are being actively managed and resourced appropriately.

Development and implementation of IT systems - The Company continues to implement a programme of IT releases which in 2019 focused on enhancing Xplan, its core point of sale software, alongside upgrading the policy capture and payments engine Officeweb to Commpay, which is due to be released in 2020. It has also continued to strengthen its supplier management arrangements. In 2020, the Company will continue to focus on updating and enhancing its IT capabilities. Such IT developments carry inherent execution risk. The Company is managing the execution risk arising on IT implementation through its Change Management Team dedicated to the implementation of projects within the business.

Risk management - Given the rapid growth of the business over the last few years, Management recognised that it needed a risk and control environment commensurate with the increased size of business, together with the obligations required as a result of being part of a FTSE 250 group through its ultimate parent company, Quilter plc. To this end, during 2019 the Company invested to further strengthen its risk and control environment through improved governance and risk reporting and to align with the wider Quilter Enterprise Risk Management Framework.

STRATEGIC REPORT (continued)

Regulatory change - The Company actively manages compliance with changes in regulatory requirements through processes including horizon scanning, commissioning and delivery of regulatory change projects and compliance monitoring. Where necessary the Company engages third parties to provide support and assurance in respect of its delivery of regulatory change.

Financial instruments - The Company's main exposure to risk arising from financial instruments is its exposure to credit risk arising on cash or short-term deposits, Money Market Funds ("MMFs") and trade and other receivables. Cash and short-term deposits are placed with high credit-rated banks which significantly reduces credit risk; where the operational limit is breeched a daily diversification process is triggered, placing cash in accounts with significant operational limit headroom. MMFs are sterling denominated and only invest in highly rated short-term commercial paper. Trade and other receivables include adviser loan funding and practice buyout (PBO) loans. All loans are subject to due diligence and sign-off by senior management and the tracking of all loan funding is managed through a monthly Debt Committee.

SECTION 172 (1) STATEMENT

Quilter Financial Planning is a wholly owned indirect subsidiary of Quilter plc and therefore complies with the policies and practices that are set by the Quilter plc Board and are described in the Quilter plc Annual Report. The following statement should therefore be read in conjunction with the Quilter plc Annual Report.

The Quilter 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. 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 Quilter Financial Planning'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.

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

The Board of the Company has dedicated time to overseeing the actions being taken to grow the business, to ensure that the advice process is appropriately controlled, to manage conflicts of interest and to improve the investment proposition available to Quilter Financial Planning's RFPs and IFAs, all of which supports the successful delivery of good customer outcomes and fosters strong business relationships with our advisers and customers.

The Board has also overseen the plans for and progress in delivering new technology solutions that are central to supporting Quilter Financial Planning's advisers, both in terms of the advice that they supply to customers and in ensuring that we satisfy our responsibilities to our advisers. The Board's oversight of these improvements has included understanding QFP's existing relationships with our key technology suppliers and supporting management in maintaining and strengthening these in order to ensure delivery of high-quality products within required timescales.

The Board has regularly considered the impact of the business' growth plans and other strategic initiatives on the business' people and analysed a number of reports on people strategy and risk during 2019. The Board met at the Newcastle office in February 2019, spending two days on both employee engagement and formal board activity. Directors also independently visited a number of regional offices during the year in order to engage directly with employees

Developing and enhancing our advice business was identified by Quilter as key to driving the growth of the overall Quilter business and delivery of its strategy. Late in 2018 management presented proposals for growing the advice business and driving adviser productivity that were endorsed by the Quilter Financial Planning Board and Quilter plc Board. A key part of that strategy required Quilter Financial Planning to acquire and integrate a number of medium sized acquisitions in addition to the smaller in-fill acquisitions already being conducted.

Working in collaboration with the Quilter plc Board, the Quilter Financial Planning Board approved two material acquisitions and set the financial and other criteria that those acquisitions would have to meet to ensure that good financial discipline is maintained and that any transaction would deliver for all stakeholders.

The Charles Derby Group is a business that Quilter Financial Planning has had a long standing relationship with as part of its network of advisers. The Board reviewed the business case for the acquisition and satisfied itself that it was well constructed, that risks and opportunities associated with the acquisition were fully understood, that detailed integration plans were in place and that a carefully considered strategy had been agreed for the business post acquisition, as part of the newly established national business of Quilter Financial Planning.

Having identified Lighthouse Group plc as a business that would be complementary to that of Quilter Financial Planning, the Boards of Quilter Financial Planning Limited and Quilter plc set clear parameters for the price the Quilter Group was prepared to pay and considered the results of the due diligence conducted by management, in particular the risks associated with the acquisition, including taking account of the additional sensitivities given that Lighthouse was a publicly listed company. The Boards also considered how the acquisition would benefit the customers of Lighthouse who would gain access to the products and services of the wider Quilter Group and the impacts on Lighthouse employees and advisers of becoming part of the Quilter Group.

In November 2019, having carefully considered the ability of the business to integrate a further acquisition, the Board authorised the acquisition of Prescient Financial Intelligence Limited to form part of Quilter Private Client Advisers. The acquisition completed late in December 2019.

The Quilter plc and Quilter Financial Planning Limited Boards will be conducting post acquisition reviews of both Charles Derby Group and Lighthouse in 2020, to ensure that the benefits identified in the initial business cases have been delivered.

By order of the Board

Stephen Gazard
Director

22 July 2020

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

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

CHANGE OF NAME

The Company changed its name on 27 June 2019 from Intrinsic Financial Services Limited to Quilter Financial Planning Limited.

DIRECTORS

The directors of the Company who held office during the year and up to the date of the signing of these financial statements were:

K R Baldwin	(resigned 22 February 2020)
K A Cook	(appointed 2 September 2019)
W W Dobbin	(resigned 31 August 2019)
S C Gazard	(appointed 30 June 2020)
K R Lambden	(appointed 1 March 2020)
P S Matthews	
M O Satchel	(resigned 13 March 2019)
D W J Sharkey	(resigned 17 May 2020)
G N Stewart	(resigned 30 June 2020
A B Thompson	(resigned 30 June 2020)
M Dean	(appointed 18 May 2020)
M L Ismail	(appointed 6 April 2020)
C J L Samuel	(appointed 8 April 2020)

OMW CoSec Services Limited, the Company Secretary, changed its name to Quilter CoSec Services Limited on 3 April 2019.

BOARD DIVERSITY

The Board believes that diversity brings benefits for our customers, our business and our colleagues. The directors acknowledge that there is more to do to increase the diversity on the Board and will continue to seek a diverse range of candidates in the recruitment of directors. The gender split on the Board is currently 29% female, 71% male.

Quilter has published its Inclusion and Diversity Statement on its website at quilter.com/careers/inclusion-and-diversity.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £19,435,000 (2018: Loss after tax £13,712,000).

The directors do not recommend the payment of a dividend (2018: £nil).

MANAGED CAPITAL

The Company's objectives in managing its capital are to ensure that there are adequate resources to meet the Company's liabilities as they fall due, to meet external capital requirements of the Company and its regulated subsidiaries set by the Financial Conduct Authority, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company manages its capital by measuring its resources, cash and capital on a regular basis. The Company's capital position on an IFRS basis and the movement in this from the prior year are disclosed within the statement of changes in equity.

FINANCIAL INSTRUMENTS

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

BUSINESS RELATIONSHIPS STATEMENT

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

An explanation of how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers advisers and other stakeholders, has been set out in the Section 172(1) Statement above and in the report and the Quilter plc annual report, which does not form part of this report.

QUALIFYING THIRD-PARTY INDEMNITIES

Qualifying third-party indemnities 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.

EMPLOYEE ENGAGEMENT STATEMENT

The Company forms part of the Quilter Group, with Quilter plc providing strategic and governance oversight to each of its subsidiaries. The Board of the Company, together with the Board of Quilter plc, have considered their duties to stakeholders, including the need to engage employees, during the course of the year.

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

Employees are eligible to participate in the Quilter Group Sharesave Scheme. There is a campaign to raise awareness of products with favorable terms for employees in order to promote the financial security for employees that it looks to offer to its customers. In addition, the employee incentive schemes link personal objectives and Company objectives by involving the employees in the Company's performance.

An explanation of how the Board of the company and the Board of Quilter plc has carried out these responsibilities has been set out in the Section 172(1) Statement above and the Quilter plc annual report, which does not form part of this report.

POLITICAL DONATIONS

No political donations were made during the year (2018: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

AUDITOR

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

By order of the Board

Stephen Gazard
Director
22 July 2020

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUILTER FINANCIAL PLANNING LIMITED (FORMERLY INTRINSIC FINANCIAL SERVICES LIMITED)

Opinion

We have audited the financial statements of Quilter Financial Planning Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of profit or loss and other 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 loss 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUILTER FINANCIAL PLANNING LIMITED (FORMERLY INTRINSIC FINANCIAL SERVICES LIMITED) (continued)

Matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 13, 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.

Peter Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

24 July 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
REVENUE			
Management fees		96,859	79,098
Administrative expenses	4	(131,228)	(96,801)
OPERATING LOSS		(34,369)	(17,703)
Finance income	5	1,691	1,950
Finance cost	6	(2,809)	(1,263)
LOSS BEFORE TAXATION		(35,487)	(17,016)
Taxation	7	16,052	3,304
LOSS FOR THE YEAR		(19,435)	(13,712)
TOTAL COMPREHENSIVE LOSS		(19,435)	(13,712)

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

The result for the year is attributable to the equity holder of the Company.

The notes on pages 21 to 56 are an integral part of these financial statements.

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

	Share capital £'000	Share premium £'000	Capital contributions[7] £'000	Share option rights reserves £'000	Capital redemption reserve £'000	Retained losses £'000	Total equity £'000
Balance at 31 December 2017	123,703	56,800	25,000	527	-	(58,841)	147,189
IFRS 9 adjustment[1]	-	-	-	-	-	(5)	(5)
Balance at 1 January 2018	123,703	56,800	25,000	527	-	(58,846)	147,184
Loss for the year	-	-	-	-	-	(13,712)	(13,712)
Share-based payments	-	-	-	2,301	-	-	2,301
Share issue during the year[2]	33,270	-	-	-	-	-	33,270
Tax credit recognised in reserves[3]	-	-	-	173	-	-	173
Transfer to retained reserves[4]	-	-	-	(669)	-	669	-
Balance at 31 December 2018	156,973	56,800	25,000	2,332	-	(71,889)	169,216
Shareholders' equity at the beginning of the year	156,973	56,800	25,000	2,332	-	(71,889)	169,216
IFRS 16 adjustment[5]	-	-	-	-	-	50	50
Balance at 1 January 2019	156,973	56,800	25,000	2,332	-	(71,839)	169,266
Loss for the year	-	-	-	-	-	(19,435)	(19,435)
Share-based payments	-	-	-	1,138	-	-	1,138
Share issues during the year[2]	125,100	-	-	-	-	-	125,100
Tax credit recognised in reserves[3]	-	-	-	3	-	(10)	(7)
Transfer to retained reserves[4]	-	-	-	(564)	-	564	-
Share reduction[6]	(100,000)	-	-	-	100,000	-	-
Balance at 31 December 2019	182,073	56,800	25,000	2,909	100,000	(90,720)	276,062

[1]The Company has initially applied IFRS 9 at 1 January 2018 using a forward-looking impairment model, based on Expected Credit Losses (ECL). Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 9 is recognised in retained earnings at the time of initial application.

[2] Shares were issued during the year to the Company's parent company to raise capital for the Company's acquisitions and the acquisitions of its subsidiary, QPCA. Refer note 20.

[3]The tax credit recognised in equity for the Share Option Rights Reserve pertains to the accounting treatment of tax under IFRS2 for the Joint Share Ownership Plan ('JSOP') and other share options scheme that have been charged to retained earnings. The adoption of IFRS 16 in the year has given rise to a tax charge in Retained losses.

[4]The share option rights reserves for JSOP and the member share option scheme have crystallised and transferred to retained earnings in the year. Refer note 26.

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

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

[6]On 12 December 2019, the Company reduced share capital by 100,000,000 of £1 ordinary shares, with the addition of an equivalent amount to the Capital Redemption Reserve. The share capital reduction and increase in reserves was required to ensure the Company maintained sufficient distributable reserves under s845 of Companies Act 2006 to complete the transfer at net book value of Quilter Investors Portfolio Management Limited from Caerus Holdings, a subsidiary of the Company, to Quilter plc and ultimately on to Quilter Investors Ltd.

[7]Capital contributions represent amounts received from the parent company and are reflected within equity as there is no obligation to repay the contribution nor is there any interest payable on the contribution.

The notes on pages 21 to 56 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2019	Note	2019[1] £'000	2018 £'000
NON-CURRENT ASSETS			
Property and equipment[2]	8	10,981	7,122
Intangible assets	9	715	862
Investments in subsidiaries	10	239,752	163,974
Deferred tax	12	2,021	1,279
Loans	13	20,167	15,009
Other financial assets	11	-	3,400
		273,636	191,646
CURRENT ASSETS			
Loans	13	9,598	9,937
Current tax receivable		10,318	1,603
Trade and other receivables	14	16,486	5,352
Cash and cash equivalents	15	113,961	93,395
		150,363	110,287
TOTAL ASSETS		423,999	301,933
NON-CURRENT LIABILITIES			
Other financial liabilities	17	3,921	19,590
CURRENT LIABILITIES			
Other financial liabilities	17	11,460	7,221
Trade and other payables	16	131,115	105,906
Lease liabilities[2]	18	1,441	-
		144,016	113,127
TOTAL LIABILITIES		147,937	132,717
NET ASSETS		276,062	169,216
CAPITAL AND RESERVES			
Share capital	20	182,073	156,973
Share premium		56,800	56,800
Capital contributions		25,000	25,000
Share option rights reserves		2,909	2,332
Capital redemption reserve		100,000	-
Retained earnings/(losses)		(90,720)	(71,889)
TOTAL EQUITY		276,062	169,216

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

[2]Following the adoption of IFRS 16, the Company has presented right-of-use assets within property and equipment and lease liabilities within lease liabilities.

The notes on pages 21 to 56 are an integral part of these financial statements.

Approved at a meeting of the Board of directors on 22 July 2020 and signed on its behalf by:

Mitchell Dean
Director

Company registered number: 05372217

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019	2019 £'000	2018 £'000
Cash flow from operating activities		
Operating loss	(34,369)	(17,703)
Adjustment to reconcile operating loss before tax to net cash used in operating activities:		
Depreciation of property and equipment	3,745	5,784
Amortisation of intangible assets	147	156
(Increase)/decrease in trade and other receivables	(11,134)	4,716
Decrease in trade and other payables	10,999	68,415
Impairment of investment subsidiaries	11,150	-
Dilapidation provision transferred to lease liabilities	226	-
Group relief received	6,595	5,683
Finance payments	-	(12)
Finance revenue	1,336	550
Increase in other financial assets	(4,819)	(10,989)
Share based payments	1,138	2,474
Net cash flow (used in)/from operating activities	(14,986)	59,074
INVESTING ACTIVITIES		
Purchase of property and equipment	(5,448)	(6,366)
Acquisition of subsidiaries	(79,063)	(40,212)
Net cash flow used in investing activities	(84,511)	(46,578)
FINANCING ACTIVITIES		
Interest paid	(864)	(149)
Repayment of loan notes[1]	(3,196)	(1,625)
Payment of lease liabilities[2]	(977)	-
Receipt from issuance of share capital	125,100	33,270
Net cash flow from financing activities	120,063	31,496
Net increase in cash and cash equivalents	20,566	43,992
Cash and cash equivalents at beginning of the year	93,395	49,403
Cash and cash equivalents at end of the year	113,961	93,395
Non cash financing activity		
Settlement of loan with subsidiary[3]	(14,210)	-
Transfer from other financial assets	(3,400)	-
Capital reduction	100,000	-
Net non cash financing activities	85,790	-

[1]The Company settled the loan note for deferred consideration relating to the acquisition of Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services Ltd) during the year.

[2] As a result of the Company adopting IFRS 16 at 1 January 2019 using the modified retrospective approach, lease liability payments are captured outside of cashflows from operating activities. Comparative information is not restated in line with the requirements of IFRS 16.

[3]The Company repaid its interest bearing loan with Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services Ltd) during the year. Refer Note 17.

Statement of cashflows is prepared according to the indirect method.

The notes on pages 21 to 56 are an integral part of these financial statements.

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

1 GENERAL INFORMATION

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 3. The principal activities of the Company are disclosed in the strategic report.

2 SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The Company's financial statements have been prepared and approved by the directors on a going concern basis, in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union (Adopted IFRS) as they apply to the financial statements of the Company for the year ended 31 December 2019, and applied in accordance with the Companies Act 2006 legislation.

The accounting policies set out below, have, unless otherwise stated, been applied consistently to all periods presented on these financial statements.

In assessing the basis of preparation management have considered

- the liquidity of the Company's assets
- the projected regulatory capital position of the Company
- the impact of COVID 19 through scenario testing and modelling of a significant downturn in markets
- the written commitment of Company's ultimate parent to provide the required level of continued capital support for at least three years to 31 December 2022 along with the managements' consideration of the ultimate parent's ability to provide that support.

On this basis management have a reasonable expectation that the Company has adequate resources to continue in operational existence, for the foreseeable future (being 12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's financial statements are consolidated within the financial statements of Quilter plc.

b) ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

New standards, amendments to standards, and interpretations adopted by the Company
The Company has adopted IFRIC 23 Uncertainty over Income Tax Treatments during the year ended 31 December 2019. This interpretation sets out how to determine taxable profits/losses, tax bases, unused tax losses, unused tax credits and tax rates (collectively referred to as the "accounting tax position") where there is uncertainty over treatment. All tax provisions for the Company continue to be calculated consistent with IAS 12 Income taxes and provisions in respect of any uncertain tax positions have been calculated consistent with IFRIC 23. No adjustments to tax balances have resulted from the adoption of IFRIC 23.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) ADOPTION OF NEW IFRS ACCOUNTING STANDARDS (continued)

IFRS 16 'Leases'
The Company adopted IFRS 16 Leases for the first time in 2019. The Company has applied the simplified transition approach and will not restate comparative amounts for the period prior to first adoption. The impact of adopting this new standard is outlined below.

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) ADOPTION OF NEW IFRS ACCOUNTING STANDARDS (continued)

The future lease cash outflows within the Company are not exposed to variable lease payments, low value or short term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions. The Company has assumed that where extension options are available, the Company will automatically exercise the options at the relevant time. The Company will also reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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

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

	£’000
Right-of-use assets presented in Property, plant and equipment	2,156
Lease liabilities presented in Lease liabilities	(2,334)
Rent free equalisation and dilapidation provision adjustment release	228
Adjustment to opening retained earnings	**50**

When measuring the lease liabilities, the Company discounted the lease payments using its incremental borrowing rate at 1 January 2019 which was 2.4%. The simplified transition approach creates deferred tax implications, so as the corporation tax deduction is spread over the length of the remaining leases, the deferred tax is unwound over the same period.

Impacts for the period
In subsequent periods, the Company will recognise depreciation charges on right-of-use assets and finance interest charges on lease liabilities in the income statement and, over the term of lease contracts, there is expected to be a broadly neutral impact to the income statement as the aggregate depreciation charges and finance interest charges replace office lease rental payments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) ADOPTION OF NEW IFRS ACCOUNTING STANDARDS (continued)

For the year ended 31 December 2019 the Company recognised the following:

	£'000
Right-of-use assets presented in property, plant and equipment at 1 January 2019	2,156
Additions	46
Depreciation charge for right-of-use assets for the period	(909)
Right-of-use assets presented in property, plant and equipment at 31 December	**1,293**
Lease liability at 1 January 2019	2,334
Additions	46
Finance interest charge for the period	38
Lease liability reduction for the period	(977)
Lease liability at 31 December 2019	**1,441**
Lease liability to be settled within 12 months	770
Lease liability to be settled after 12 months	671
Lease liability at 31 December 2019	**1,441**

In addition to IFRIC 23 and IFRS 16, 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 impact on the result, financial position or disclosures:

- Amendments to IFRS 9: Financial Instruments – Prepayment features with negative compensation
- Amendments to IAS 28: Investments in Associates – Long-term interests in associates and joint ventures
- Amendments to IAS 19: Employee Benefits – Plan amendments, curtailments or settlements
- 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 period beginning after 1 January 2020. The Company has not early adopted these standards, amendments and interpretations.

c) FINANCIAL INSTRUMENTS

Financial instruments
Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and financial 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 de-recognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company. A financial liability is de-recognised when, and only when the liability is extinguished.

Business model assessment
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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) FINANCIAL INSTRUMENTS (continued)

expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

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

Classification and measurement of financial assets and financial liabilities

Initial measurement
A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition.

Subsequent measurement
Under IFRS 9 the classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. 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 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 assets at FVTPL
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 Company's interests in pooled investment funds, equity securities and debt securities are mandatorily at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) FINANCIAL INSTRUMENTS (continued)

basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the income statement.
The Company recognises purchases and sales of financial investments on trade date, which is the date that the Company commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the statement of comprehensive income.

Loans and advances
Loans with fixed maturities are recognised when cash is advanced to borrowers or policyholders. Loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as at 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.

Financial liabilities and equity
Management also determines the classification of financial liabilities at initial recognition. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are measured at amortised cost using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables and receivables
Trade payables and receivables are classified at amortised cost. Due to the short term nature of trade payables and receivables, their carrying amount is considered to be the same as their fair value.

Impairment of financial assets
IFRS 9 introduces an expected loss accounting model for credit losses that differs significantly from the incurred loss model under IAS 39 and results in earlier recognition of credit losses.

The new impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables, cash and cash equivalents and corporate debt securities.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage 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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) FINANCIAL INSTRUMENTS (continued)

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

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

Impaired financial assets

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

Application of the new impairment model
The Company applies IFRS 9's new ECL model to two main types of financial assets that are measured at amortised cost:

- Trade receivables to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Loans 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) FINANCIAL INSTRUMENTS (continued)

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.

d) REVENUE RECOGNITION
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue represents the recharge of costs to the Company's subsidiaries on an agreed basis.

All turnover relates to continuing operations in the United Kingdom.

e) PROPERTY AND EQUIPMENT
Fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment in value. Fixtures and fittings are depreciated on a straight-line basis over their useful economic life which in all cases is 3 years.

Computer equipment is stated at cost less accumulated depreciation and accumulated impairment in value. Computer equipment is depreciated on a straight-line basis over 3 years.

Assets associated with short leaseholds are stated at cost less accumulated depreciation and accumulated impairment in value. Assets associated with short leaseholds are depreciated on a straight line basis over the period of the lease.

Depreciation and impairment losses are recognised in the statement of profit or loss and other comprehensive income within administrative expenses. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the statement of profit or loss and other comprehensive income in the period of de-recognition.

f) INTANGIBLE ASSETS
The cost of acquiring advisers from Sesame Bankhall was capitalised and included as intangible assets on the statement of financial position. These payments are recorded at cost and amortised over the expected life of the benefit derived from the income stream of these advisers, which is assumed to be 10 years. The amortisation is calculated based on the expected pattern of income over this period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) INTANGIBLE ASSETS (continued)

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate. The amortisation expense on intangible assets is recognised in the statement of profit or loss and other comprehensive income in administrative expenses.

g) TAXES

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities or paid to or recovered from other group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income.

Deferred income tax

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

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

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

h) FINANCING INCOME AND EXPENSE

Interest income is recognised as it accrues using the effective interest rate method applicable over the period of the income.

Interest expense is recognised as it accrues using the interest rate applicable over the period of the expense.

i) CAPITAL CONTRIBUTIONS

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

j) LEASES - POLICY APPLICABLE BEFORE 1 JANUARY 2019

Leases where the lessor retains a significant portion of the risks and benefits of the ownership of the assets are classified as operating leases and rentals payable are charged in the statements of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Incentives received to enter into a lease agreements are released to the statement of profit or loss and other comprehensive income over the lease term or, of shorter, the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) PROVISIONS
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the entity. If a reliable estimate cannot be made, such items are disclosed as contingent liabilities.

l) INVESTMENTS IN SUBSIDIARIES
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.

m) SHARE BASED PAYMENTS
The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for difference between expected and actual outcomes.

n) PENSION SCHEME
The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the statement of profit or loss and other comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

3 RISK MANAGEMENT FRAMEWORK

Enterprise-wide risk management
The Board of Quilter has developed an Enterprise-wide Risk Management (“ERM") approach that applies to all companies within the Quilter Group, including the Company. Quilter's risk management objective is to operate a robust ERM framework within every part of the Group through embedding a risk and governance framework that supports an efficient and effective operating environment. The ERM framework encompasses a number of elements, including:

- The corporate governance arrangements which set out the way that the organisation is structured and managed;
- The end-to-end processes involved in the identification, assessment, measurement, monitoring and management of risk, including assignment of risk owners and risk reporting;
- The culture and behaviour that is exhibited and the associated reward mechanisms.

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

3 RISK MANAGEMENT FRAMEWORK (continued)

Risk Appetite
The Risk Appetite Framework (RAF) is defined as the policies, processes, skills and systems that set out the way that Quilter staff across all businesses and control functions should talk about, think about, and manage risk in relation to Quilter's risk appetite. The RAF builds upon the existing business planning, capital and risk management processes and has three distinctive components:

- **Strategy and Business Planning Process**: Quantitative and qualitative strategic risk appetite principles linked to risk limits.
- **The Stress and Scenario Framework**: Quantitative risk appetite statements linked to the strategic objectives of the business, and contractual and regulatory requirements.
- **The Risk Policy Framework**: Quantitative and qualitative risk appetite statements for individual risks embedded into the policy framework. These set out the approach taken to mitigate and manage risks, informed by the policy appetite statements and control standards.

The qualitative and quantitative risk appetite statements are undergoing further development as part of the enhancement to the ERM framework.

Risk Culture
Risk culture is defined as the system of values and behaviours embedded in the Company that shapes risk decisions. The Company's risk culture is defined by the following principles:

- Responsibility and accountability for risk management is clearly assigned throughout the organisation with the aim of fostering an open and transparent organisational culture that encourages the right behaviours.
- Creating a climate for our employees to voice genuine concerns about, and risks within, the business.
- A risk-aware culture is seen as an enabler for management to be empowered to take risks in a manner that is transparent and in line with the business and risk strategy.
- Good risk management practices are encouraged, such that our employees understand how to make educated risk related decisions in their day-to-day roles.
- Training and awareness programmes are in place to ensure that a risk-aware culture is fostered and that employees understand the importance of good risk management.
- Performance management encourages and incentivises good risk management practices.

a) Credit risk
Credit risk is the risk that the Company is exposed to a loss if another party fails to meet its financial obligations, including failing to meet them in a timely manner. The Group has established a credit risk policy which sets out restrictions on the permitted financial transactions with counterparties to control and monitor the level of credit risk to which the Company is exposed.

The Company is exposed to limited credit risk. The credit risk on liquid funds is limited because the counterparties are banks and Money Market Funds ("MMFs") with high credit ratings assigned by international credit rating agencies.

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

Credit risk primarily arises from cash held at bank and other receivables, including loans which can fall due for repayment in more than one year. The principal amounts receivable on these balances are materially the same as fair value and as such credit risk has not had a significant impact on the valuation of these balances.

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

3 RISK MANAGEMENT FRAMEWORK (continued)

b) Market risk
Market risk is defined as the risk that a change in the value of or income from any asset is not matched by an equal change in the value of the related liability. Market risk arises from fluctuations in variables such as interest rates and foreign exchange rates. The Company is subject to market risk in the following areas:

Interest rate risk
The effective interest rate applicable to interest bearing financial instruments is at a floating rate based on daily bank deposit rates.

Currency risk
The Company is not exposed to currency risk, as all company assets are held in GBP.

Liquidity risk
Liquidity risk is the risk that a company, although solvent, does not have available sufficient financial resources to enable it to meet its financial obligations as they fall due, or can secure them only at excessive cost.

The Company is exposed to minimal liquidity risk as all its investments and bank accounts are available either on demand or next day settlement, and sufficient to meet day-to-day outgoings. There are no external borrowings.

Political risk
The withdrawal of the UK from the EU on 31 January continues to generate a level of uncertainty in the UK financial services sector. The effect of this uncertainty is the extent to which this translates into an impact upon advice income. The Company actively supports advisers in their communication with customers in order to mitigate the adverse impact of this uncertainty.

The Company's strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company from the UK's withdrawal from the European Union. The Company is part of a pan-Quilter project to manage the impacts on the business of this withdrawal. The Company is however exposed to secondary risks potentially associated with this, such as reducing investor confidence and adverse market reaction, as a result of the significant downturn in the markets due to COVID-19. As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will continue to benefit from ongoing capital support from Old Mutual Wealth Holdings Limited, the immediate parent company and the broader Quilter group.

Risk and capital management
The Quilter Group's capital management policy sets out the key considerations and restrictions with regard to the amount of capital that is retained by each entity within the Group.

In the event of the Company incurring losses resulting in erosion of its capital base it is supported financially by its immediate parent company Old Mutual Wealth Holdings Limited.

c) Operational risk
Operational risk is defined as the risk of adverse business outcomes resulting from inadequate or failed internal processes, personnel and systems, or from external events (other than financial or business environment risks). Operational risk is an unavoidable consequence of being in business as it can never be fully eliminated. However, it can be effectively managed to ensure exposures and associated risk events are kept to a minimum.

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

3 RISK MANAGEMENT FRAMEWORK (continued)

The constituent parts of the Operational Risk Framework are:

Risk & Control Self-Assessment
Identify, assess, manage, monitor and report risk exposures arising from people, processes, systems and external events.

Significant Business Change
Comprehensively assess risk arising from new products, significant variations to existing products, new areas to undertake business, regulatory change programmes or other material or transformational programmes.

Scenario Analysis
Assess the possible impact of extreme but plausible operational risk events.

Issues Management
Ensure that all risk issues raised against the business are captured, classified and managed consistently.

Events Management
Ensure that internal events are identified, assessed, analysed for root causes, managed, monitored and reported.

COVID-19
In early 2020 COVID-19 was recognised by the World Health Organisation as a global pandemic. This will have the impact of increasing existing risks as well as creating new ones through disruption to global supply chains and employee availability along with the negative impact on global market growth. The Company is addressing these risks through the application of the Enterprise-wide Risk Management framework outlined above.
As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. In support of this and as outlined in the Strategic Report the Company will continue to benefit from ongoing capital support from Old Mutual Wealth Holdings Limited and the broader Quilter group.

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

4 OPERATING COSTS

Administration Expenses

	2019 £'000	2018 £'000
Auditor's remuneration: audit of these financial statements paid to KPMG LLP	65	74
Depreciation on property and equipment (note 8)	3,745	5,784
Amortisation of intangible assets (note 9)	147	156
Impairment of investment in subsidiaries (note 10)	11,150	-
Professional and regulatory costs	22,052	15,481
Computer costs	10,373	8,196
Adviser costs	8,926	11,357
Acquisition costs	2,943	-
Other costs	12,662	8,504
	72,063	49,552
Staff Costs		
Wages and salaries	50,626	40,666
Social security costs	6,557	5,036
Other pension costs	1,982	1,547
	59,165	47,249
	131,228	96,801

The average monthly number of employees during the year was as follows:

	2019	2018
Directors	6	6
Administrative staff	611	566
Sales staff	59	82
	676	654

Directors' emoluments

	2019 £'000	2018 £'000
Directors' emoluments	1,802	1,656
Pension contributions	23	20
	1,825	1,676

The amount in respect of the highest paid director was as follows:

	2019 £'000	2018 £'000
Directors' emoluments	663	628
Pension contributions	3	10
	666	638

During the year, two directors accrued pension benefits under a defined contribution scheme (2018: 2).

Key management personnel are defined as those 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.

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

5 FINANCE INCOME

This note analyses the investment return from the Company's investing activities.

	2019 £'000	2018 £'000
Interest income on		
Adviser loans	585	341
Interest on deferred consideration (see Note 6)	355	-
Bank balances	94	12
Total interest income	1,034	353
Investment income on:		
Investments and securities	-	1,400
Short term deposits	657	197
Total investment income	657	1,597
Total	1,691	1,950

6 FINANCE COSTS

	2019 £'000	2018 £'000
Bank charges	21	12
Interest payable on deferred consideration[1]	194	350
Loss on investments and securities	1,566	-
Interest charge on lease liability	38	-
Discount unwind on deferred consideration	723	612
Interest payable on loan from Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services) Limited)	267	289
	2,809	1,263

In accordance with the Loan Note agreement relating to the acquisition of Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services) Limited), the total deferred consideration was recalculated, giving rise to a reduction of the interest charged and a credit in the current year.

7 TAXATION

	2019 £'000	2018 £'000
Current year corporation tax credit	(3,504)	(3,433)
Prior year movement	(11,618)	104
Origination and reversal of temporary differences	(930)	25
Tax credit for the year	(16,052)	(3,304)

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

	2019 £'000	2018 £'000
Loss before tax	(35,487)	(17,016)
Tax on loss at the applicable tax rate 19% (2018: 19%)	(6,743)	(3,233)
Effect of:		
Expenses not deductible for tax purposes	1,120	45
Impairment of investment in subsidiaries	2,119	-
Deferred tax asset not recognised	-	656
Utilisation of previously unrecognised deferred tax assets	-	(122)
Recognition of previously unrecognised deferred tax assets	(757)	(779)
Effect of deferred tax on changes in tax rates	80	25
Prior year movement	(11,871)	104
	(16,052)	(3,304)

The main rate of corporation tax reduced from 20% to 19% with effect 1 April 2017.

As a result of the managed separation from Old Mutual Plc, the Quilter Group benefitted from tax losses arising in Old Mutual which were surrendered to Quilter plc at nil cost. To standardise the effective tax rate across the Quilter Group, Quilter Financial Planning were allocated group relief at a rate greater than the standard rate of tax for the Company's losses, resulting in a prior year tax movement.

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

8 PROPERTY AND EQUIPMENT

	Right-of-use asset £'000	Fixtures and fittings £'000	Computer equipment £'000	Computer software £'000	Leasehold improvements £'000	Total £'000
Cost						
At 1 January 2018	-	713	2,017	20,528	2,569	25,827
Additions	-	19	523	5,219	605	6,366
At 31 December 2018	-	732	2,540	25,747	3,174	32,193
IFRS 16	2,156	-	-	-	-	2,156
At 1 January 2019	2,156	732	2,540	25,747	3,174	34,349
Additions	46	70	479	4,560	293	5,448
Disposals	-	-	-	(4,454)	-	(4,454)
At 31 December 2019	2,202	802	3,019	25,853	3,467	35,343
Depreciation						
At 1 January 2018	-	590	1,405	16,052	1,240	19,287
Provided during the year	-	61	406	4,842	475	5,784
At 31 December 2018	-	651	1,811	20,894	1,715	25,071
Provided during the year	909	75	480	1,711	570	3,745
Disposals	-	-	-	(4,454)	-	(4,454)
At 31 December 2019	909	726	2,291	18,151	2,285	24,362
Net book value						
At 1 January 2018	-	123	612	4,476	1,329	6,540
At 31 December 2018	-	81	729	4,853	1,459	7,122
At 31 December 2019	1,293	76	728	7,702	1,182	10,981

All leasehold property improvements included above is represented by short leaseholds of less than 50 years.

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

9 INTANGIBLE ASSETS

	Sesame Adviser £'000
Cost	
At 31 December 2018	1,389
At 31 December 2019	1,389
Amortisation and impairment	
At 1 January 2018	371
Provided during the year	156
At 31 December 2018	527
Provided during the year	147
At 31 December 2019	674
Net book value	
At 1 January 2018	1,018
At 31 December 2018	862
At 31 December 2019	715

The cost of acquiring advisers from Sesame Bankhall was capitalised. These payments are recorded at cost and then amortised over the expected life of the benefit derived from the income stream of these advisers, which is assessed as being 10 years.

10 INVESTMENTS IN SUBSIDIARIES

	Investments in subsidiaries £'000
At 1 January 2018	123,762
Additions in the year	40,212
At 31 December 2018	163,974
At 1 January 2019	163,974
Additions in the year	87,003
Transfer from Other Financial Assets	3,400
Fair value adjustment	(1,565)
Impairment of investment in subsidiaries	(11,150)
Discount unwind on deferred consideration	(1,910)
At 31 December 2019	239,752

On 26 February 2019, the Company acquired the remaining 90% of the share capital of the Charles Derby Group for a consideration of £15,135,000 followed by a further payment on 30 April 2019 of £5,207,000. There is potential deferred consideration of £10,346,000, before discounting, payable in 2020 and 2022. These deferred payments are subject to adjustment in the event of a claim for breach of warranty, and there has been no adjustment thus far (Note 11 refers).

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

10 INVESTMENTS IN SUBSIDIARIES (continued)

On 19 June 2019 the Company purchased Lighthouse Group plc for a consideration of £46,155,000.

On 11 July 2019 the Company subscribed for 460,000 ordinary shares at a cost of £460,000 in its subsidiary, Blueprint Organisation Limited to fund acquisitions by its subsidiary Quilter Private Client Advisers Limited.

On 19 December the Company subscribed for 9,700,000 ordinary shares at a cost of £9,700,000 in its subsidiary, Blueprint Organisation Limited to fund acquisitions by its subsidiary Quilter Private Client Advisers Limited.

On 2 January 2018 the Company reviewed the investment associated with the acquisition of Caerus Capital Group Limited leading to a £12,000 increase.

On 1 August 2018 the Company subscribed for 9,940,000 ordinary shares at a cost of £9,940,000 in its subsidiary, Blueprint Organisation Limited to fund acquisitions by its subsidiary Quilter Private Client Advisers Limited.

On 14 December 2018 the Company subscribed for 8,330,000 ordinary shares at a cost of £8,330,000 in its subsidiary, Blueprint Organisation Limited to fund acquisitions by its subsidiary Quilter Private Client Advisers Limited.

On 27 December 2018 the Company subscribed for 21,930,000 ordinary shares at a cost of £21,930,000 in its subsidiary, Blueprint Organisation Limited to fund acquisitions by its subsidiary Quilter Private Client Advisers Limited.

Company name	Registered office address	Company Number
Intrinsic Valuation Services Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	06926673
Quilter Financial Services Limited (formerly Intrinsic Financial Planning Limited)	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	05506637
Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services) Ltd)	Riverside House, the Waterfront, Newcastle upon Tyne, NE15 8NY	03276760
Think Synergy Limited	Riverside House, the Waterfront, Newcastle upon Tyne, NE15 8NY	05113517
Intrinsic Financial Solutions Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	06751080
Quilter Wealth Limited (formerly Intrinsic Wealth Limited)	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	04500273
Quilter Mortgage Planning Limited (formerly Intrinsic Mortgage Planning Limited)	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	05495327
Blueprint Financial Services Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	04736809
Intrinsic Wealth Financial Solutions Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	06454171
Blueprint Organisation Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	04821809
Blueprint Distribution Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	05186737
Quilter Private Client Advisers Limited	Millennium Bridge House, 2 Lambeth Hill, London, England, EC4V 4AJ	06201261

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

10 INVESTMENTS IN SUBSIDIARIES (continued)

D G Pryde Limited	No.2 Lochrin Square, 96 Fountainbridge, Edinburgh, Scotland, EH3 9QA	SC263049
Freedom Financial Planning (Manchester) Ltd.	Millennium Bridge House, 2 Lambeth Hill, London, England, EC4V 4AJ	07415558
Intrinsic Cirilium Investment Company Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	04033107
Charles Derby Group Limited	6 Tollgate Business Park, Tollgate West, Stanway, Colchester CO3 8AB	07670555
Quilter Financial Advisers Limited (formerly Charles Derby Financial Services Limited)	Millennium Bridge House, 2 Lambeth Hill, London, England, EC4V 4AJ	05693185
Charles Derby Wealth Management Limited	6 Tollgate Business Park, Tollgate West, Stanway, Colchester CO3 8AB	07629860
Charles Derby Private Clients Limited	6 Tollgate Business Park, Tollgate West, Stanway, Colchester CO3 8AB	08610405
Forward Thinking Wealth Management Limited	6 Tollgate Business Park, Tollgate West, Stanway, Colchester CO3 8AB	06413621
Caerus Capital Group Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	07069448
Caerus Holdings Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	09484126
Caerus Bureau Services Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	09280257
Quilter Financial Limited (Formerly Caerus Financial Limited)	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	06784783
Caerus Wealth Solutions Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	07296574
Caerus Wealth Limited	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	07296436
Quilter Investors Portfolio Management Limited (formerly Caerus Portfolio Management Limited)[1]	Millennium Bridge House, 2 Lambeth Hill, London, England, EC4V 4AJ	03056894
Lighthouse Group plc	26 Throgmorton Street, London, EC2N 2AN	04042743
Luceo Asset Management Limited	26 Throgmorton Street, London, EC2N 2AN	10150276
Lighthouse Wealth Management Limited	26 Throgmorton Street, London, EC2N 2AN	04424667
LighthouseXpress Limited	26 Throgmorton Street, London, EC2N 2AN	02866103
Lighthouse Benefits Limited	26 Throgmorton Street, London, EC2N 2AN	03364754
Lighthouse Financial Adviser Services Limited	26 Throgmorton Street, London, EC2N 2AN	03789599
Lighthouse Support Services Limited	26 Throgmorton Street, London, EC2N 2AN	04109068
Lighthouse Financial Advisers Limited	26 Throgmorton Street, London, EC2N 2AN	05028294
Falcon Financial Advice Limited	26 Throgmorton Street, London, EC2N 2AN	04073122
The Falcon Group Limited	26 Throgmorton Street, London, EC2N 2AN	01869421
Lighthouse Pensions Help Limited	26 Throgmorton Street, London, EC2N 2AN	04044016
Lighthouse Advisory Services Limited	26 Throgmorton Street, London, EC2N 2AN	04086645
Financial Services Advice & Support Limited	C/O Addleshaw Goddard Llp, 19 Canning Street, Edinburgh, Scotland, EH3 8EH	SC219202
LighthouseCarrwood Limited	26 Throgmorton Street, London, EC2N 2AN	05626656
Lighthouse Financial Advice Limited	26 Throgmorton Street, London, EC2N 2AN	04795080
Lighthouse Corporate Services Limited	26 Throgmorton Street, London, EC2N 2AN	04086656
Lighthouse Direct Limited	26 Throgmorton Street, London, EC2N 2AN	06742775

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

10 INVESTMENTS IN SUBSIDIARIES (continued)

LighthouseTemple Limited	26 Throgmorton Street, London, EC2N 2AN	04057453
Lighthouse+ Limited	26 Throgmorton Street, London, EC2N 2AN	04116434
Lighthouseplus Limited	26 Throgmorton Street, London, EC2N 2AN	03140857
Prescient Financial Intelligence Limited[2]	Millennium Bridge House, 2 Lambeth Hill, London, England, EC4V 4AJ	05005255
Charles Jacques Limited	Millennium Bridge House, 2 Lambeth Hill, London, England, EC4V 4AJ	05046148

[1]A Sale and Purchase Agreement transferring ownership of the Company from Caerus Holdings Limited to Quilter plc became effective on 1 January 2020.

[2]The Company is the beneficial owner of the company and doesn’t yet hold the legal title to the shares following acquisition on 20/12/2019.

Impairment of investments in subsidiaries

At the end of the year, the carrying value of the Company’s dormant subsidiaries were written down to nil, giving rise to a charge of £350k (2018: £nil) relating to Intrinsic Cirilium Investment Company Limited.

The carrying value of the Lighthouse group was written down to £35.4m giving rise to a charge of £10.8m (2018: £nil), detailed below.

Both impairment charges are included within Administrative expenses.

Annual impairment test

The carrying amounts of the Company's 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 value in use (VIU) and its fair value (FV) less costs to sell. If applicable, an impairment charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income when the recoverable amount is lower than the carrying value.

The VIU test has been calculated with reference to the 2019-2022 business plan with cashflows beyond this period modelled on year on year revenue growth of 5% and expense growth of 2%. A terminal value is calculated and discounted to present value using a discount rate of 9%. Management perform sensitivity tests to stress the VIU calculation whereby the revenue growth rate is reduced to 2% and the discount rate is increased to 10.5%.

The FV test has been constructed with key assumptions validated by comparison to similar market transactions. The Assets Under Advice (AuA) at 31 December 2019 are multiplied by the market transaction median multiplier calculated from a range of 1.7% to 3.5%. Management perform a sensitivity test to stress the FV calculation, whereby the AuA valuation multiplier is reduced by 20% reflecting a potential downturn in the markets arising.

The fair value hierarchy of the subsidiaries under IFRS 13 is Level 3, given that the information used in the valuation is not publicly available information.

At an aggregate level, excluding the Lighthouse Group, the valuations of the Company's investments in subsidiaries are greater than £700m significantly exceeding their carrying value. At an individual subsidiary level the impairment threshold is more sensitive and a combination of VIU and FV valuations are used to support the carrying value. The entity with the lowest headroom exceeds its carrying value by more than 20%.

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

10 INVESTMENTS IN SUBSIDIARIES (continued)

The Company's subsidiaries are exposed to additional risks, such as reducing investor confidence and adverse market reaction, particularly in the post balance sheet period, as a result of the significant downturn in the markets due to the COVID-19. These subsidiaries will be adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks depending on the extent of employment availability. The length and severity of the impact from COVID-19 remains a clear risk.

After undertaking the above tests and with consideration given to the potential impact of a market downturn, with the exception of Lighthouse, the recoverable amount for each subsidiary exceeds the carrying value. Management are therefore satisfied that, with the exception of Lighthouse, no impairment is required in investments in subsidiaries as at 31 December 2019

As detailed in the Strategic Report, prior to its acquisition by Quilter Financial Planning, Lighthouse provided pension transfer advice to around 300 British Steel pension scheme members between 2016 and 2018. The Company was advised after the 2019 year end of a number of complaints relating to the advice given in respect of the above. A review of British Steel pension scheme cases advised by Lighthouse has been initiated to assess the standard of advice given to British Steel pension scheme members.

Within the financial statements of Lighthouse Advisory Services Limited, a provision of £17 million has been calculated for the potential redress of all complaints received as at the date on which the financial statements were approved where the likelihood of redress is probable. This amount includes £3 million to cover anticipated legal and professional fees and other costs associated with the redress process. A contingent liability note in the Lighthouse Advisory Services Limited 2019 financial statements reflects that, it was not possible as at the date on which the Lighthouse Advisory Services Limited financial statements were approved to estimate the potential redress payments that might arise with any degree of accuracy and that the impact of any such additional payments might be material. The inability to estimate potential redress is due to factors including the absence of complaints received in respect of the remaining cases, and the complexity of the individual calculations necessary to calculate any redress and associated costs that may ultimately be payable.

In assessing the annual impairment test for Lighthouse the VIU test was applied as described above, including an estimate of all future cash flows relating to potential redress and associated costs for the British Steel pension scheme transfer advice outlined above, although not adjusting business plan cashflows for the market downturn relating to the post balance sheet event COVID-19, which is likely to result in a reduced valuation of Lighthouse Group. On this basis the current value for Lighthouse was assessed at £35.4 million, requiring an impairment against the previous carrying value of £46.2 million of £10.8 million.

In making the assessment of the potential redress and associated costs for the British Steel pension scheme transfer advice a number of assumptions were required to be made, the future outcome for which remains uncertain and for which the impact on the estimated valuation could be material. Key amongst these are the average cost of redress per case for which each 10% deviation from the estimated level would have a £2.5 million impact on the valuation; the amount recoverable from professional indemnity insurance for which each additional 10% recoverable as compared to the estimated figure would impact the valuation by £1.4 million; and the number of cases requiring redress, for which each 10% deviation against the estimated level would impact the valuation by £2.5 million.

11 OTHER FINANCIAL ASSETS

At 31 December 2018 the fair value of the investment in Charles Derby Group was reassessed and considered to be £3.4m, an upward revaluation in the business after the investment date based on performance information.

On 26 February 2019 the Company acquired the remaining 90% share capital in Charles Derby Group and the investment is now shown as an investment in subsidiary (Note 10 refers). At this date the fair value of the investment was reviewed and was considered to be £1.8m, a downward revaluation of the business based on business performance.

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

12 DEFERRED TAX ASSETS AND LIABILITIES

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	Fixed Assets £'000	Deferred tax not provided £'000	Share Schemes £'000	Total £'000
At 1 January 2018	1,559	3,361	(3,616)	-	1,304
Movement in the year	82	(2,086)	1,804	175	(25)
Prior year movement	2,110	-	(2,110)	-	-
At 31 December 2018	3,751	1,275	(3,922)	175	1,279
Equity movement	-	(9)	-	75	66
Movement in the year	-	(356)	949	337	930
Prior year movement	(77)	-	(177)	-	(254)
At 31 December 2019	3,674	910	(3,150)	587	2,021

A deferred tax asset on losses carried forward and fixed assets is recognised to the extent that there are other temporary differences expected to reverse in the foreseeable future. In addition, assets have been recognised to the extent it is probable that there will be future taxable profits to utilise the asset. The excess has not been recognised as there is sufficient uncertainty to utilise the asset. Trading losses are available to carry forward without expiry subject to the continuation of the trade.

A deferred tax asset of £3,150,000 (2018: £3,922,000) in respect of tax losses of £3,150,000 (2018: £2,973,000) and fixed assets £nil (2018: £949,000) have not been recognised as there is sufficient uncertainty to the extent it is probable that there will be future taxable profits to utilise the losses. Trading losses are available to carry forward without expiry subject to the continuation of the trade.

13 LOANS RECEIVABLE

	2019 £'000	2018 £'000
Loans	29,739	24,928
Staff loans	26	18
	29,765	24,946
To be recovered within 12 months	9,598	9,937
To be recovered after 12 months	20,167	15,009
	29,765	24,946

Included within this balance are loans to advisers made on commercial terms.
The carrying value of these assets approximates to fair value.

IFRS 9 imputed provision utilisation	2019 £'000	2018 £'000
Balance b/fwd	706	309
Charged to statement of profit or loss and other comprehensive income	364	397
Balance c/fwd	1,070	706

14 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Amounts due from subsidiary undertakings	13,102	3,100
Other receivables	614	60
Prepayments and accrued income	2,770	2,192
	16,486	5,352

For terms and conditions relating to related party transactions, refer to note 21. Trade receivables and other receivables are non interest bearing.

15 CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Bank balances	5,922	9,016
Short term deposits with credit institutions	108,039	84,379
	113,961	93,395

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash on money markets earns interest at a floating variable rate which at the period end was 0.68% (2018: 0.73%) on an annualised basis. The money market funds are held at FVTPL, while cash at bank is held at amortised cost. All cash and cash equivalents are on demand deposits and as such are considered to be current.

There is a fixed and floating charge over the Company and all its property and assets, present and future, by the BOS in respect of all monies due to or become due from the Company on any account.

This charge was registered with Companies House on 2 February 2016.

16 TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	19,900	16,415
Payable to Quilter plc subsidiary undertakings	8,367	1,908
Payable to subsidiary undertakings	100,678	86,586
Other taxes and social security costs	2,170	997
	131,115	105,906

All amounts due are short term and interest free.

Terms and conditions of the above financial liabilities:
- For terms and conditions relating to related parties, refer to note 21.
- Trade and other payables are non interest bearing and are normally settled in 90 days.

NOTES TO THE FINANCIAL STATEMENTS
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17 LOANS AND DEFERRED CONSIDERATION PAYABLE

	2019 £'000	2018 £'000
Amount due within one year:		
Deferred purchase consideration	11,460	7,221
	11,460	7,221
Amount due in more than one year:		
Loan from subsidiary	-	13,943
Deferred purchase consideration	3,921	5,647
	3,921	19,590

The loan from subsidiary was settled in full via the intercompany account on 28 June 2019. The loan carried an interest rate of 150 basis points above the Bank of England base rate.

The deferred purchase consideration relates to the acquisition of Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services) Limited), Caerus Capital Group and the Charles Derby Group.

The consideration for Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial Services) Limited) is payable over 16 quarters from 1 October 2015 and accrues interest at LIBOR plus 600 bps. In accordance with the Loan Note agreement, the total deferred consideration was recalculated and the final payment made on 20 December 2019.

For Caerus Capital Group the deferred purchase consideration is £5,647,214 (2018: £8,470,821) on an undiscounted basis, with £5,647,214 payable in June 2020.

For the Charles Derby Group the deferred purchase consideration is £10,344,306 on an undiscounted basis, with £5,046,003 payable in August 2020 and £5,298,303 payable in February 2022.

The deferred purchase consideration in the table above is discounted to reflect the net present value of the future obligation.

NOTES TO THE FINANCIAL STATEMENTS
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18 LEASE LIABILITIES

	2019[1] £'000	2018 £'000
Lease liability at 1 January	2,334	-
Additions	46	-
Finance interest charge for the period	38	-
Lease liability reduction for the period	(977)	-
Lease liability at 31 December	1,441	-
Lease liability to be settled within 12 months	770	-
Lease liability to be settled after 12 months	671	-
Total discounted lease liability at 31 December	1,441	-
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	792	-
1 to 5 years	619	-
More than 5 years	90	-
Total undiscounted lease liability at 31 December	1,501	-

[1]The Company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application. The Company incurs interest on the lease liability based on its incremental borrowing rate which was 2.4%.

19 COMMITMENTS AND CONTINGENT LIABILITIES

The Company has entered into commercial leases on properties. The duration of these leases are up to 6 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019[1] £'000	2018 £'000
Not later than 1 year	-	1,290
After 1 year but not later than 5 years	-	2,470
After 5 years	-	288
	-	4,048

[1]The Company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under IFRS 16, this note is no longer necessary. However, this note is presented in financial statements for the year ended 31 December 2019 for comparative purpose only.

The Company acts as lease guarantor on a property for Quilter Private Client Advisers, at 31 December 2019 lease commitments stood at £1,182,000 (2018: £1,269,000). There are no other material financial and capital commitments.

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

20 CALLED UP SHARE CAPITAL

	Share Capital
	£'000
At 1 January 2018 123,702,594 ordinary shares of £1 each	123,703
Issued in the year	33,270
At 31 December 2018 156,972,594 ordinary shares of £1 each	156,973
At 1 January 2019 156,972,594 ordinary shares of £1 each	156,973
Issued in the year	125,100
Capital reduction in the year	(100,000)
At 31 December 2018 182,072,594 ordinary shares of £1 each	182,073

All shares classified in shareholder funds

On 27 March 2018 the Company issued 17,370,000 of £1 ordinary shares for a consideration of £17,370,000 to its parent Old Mutual Wealth Holdings Limited.

On 26 June 2018 the Company issued 7,570,000 of £1 ordinary shares for a consideration of £7,570,000 to its parent Old Mutual Wealth Holdings Limited.

On 14 December 2018 the Company issued 8,330,000 of £1 ordinary shares for a consideration of £8,330,000 to its parent Old Mutual Wealth Holdings Limited.

On 14 February 2019 the Company issued 32,000,000 of £1 ordinary shares for a consideration of £32,000,000 to its parent Old Mutual Wealth Holdings Limited to provide funding for the acquisition of subsidiaries.

On 21 March 2019 the Company issued 11,000,000 of £1 ordinary shares for a consideration of £11,000,000 to its parent Old Mutual Wealth Holdings Limited to provide funding for the acquisition of subsidiaries.

On 27 March 2019 the Company issued 50,000,000 of £1 ordinary shares for a consideration of £50,000,000 to its parent Old Mutual Wealth Holdings Limited to provide funding for the acquisition of subsidiaries.

On 11 July 2019 the Company issued 10,400,000 of £1 ordinary shares for a consideration of £10,400,000 to its parent Old Mutual Wealth Holdings Limited to provide funding for the acquisition of subsidiaries.

On 12 December 2019 the Company reduced its share capital by 100,000,000 £1 ordinary shares for nil consideration, creating a capital redemption reserve.

On 16 December 2019 the Company issued 21,700,000 of £1 ordinary shares for a consideration of £21,700,000 to its parent Old Mutual Wealth Holdings Limited to provide funding for the acquisition of subsidiaries.

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

21 RELATED PARTY TRANSACTIONS

The following transactions were entered into with related parties during the period:
Revenue includes recharges by the Company to its subsidiaries and fellow group companies at cost.

	2019 £'000	2018 £'000
Quilter Financial Services Limited (formerly Intrinsic Financial Planning Limited)	32,601	24,144
Quilter Mortgage Planning Limited (formerly Intrinsic Mortgage Planning Limited)	15,282	24,210
Quilter Wealth Limited (formerly Intrinsic Wealth Limited)	6,030	4,982
Quilter Private Client Advisers Limited	18,869	16,466
Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial	11,647	11,306
Quilter Investors Portfolio Management Limited (formerly Caerus Portfolio Management	5	-
Caerus Holdings Limited	1,791	876
Caerus Wealth Solutions Limited	-	1
Quilter Financial Limited (formerly Caerus Financial Limited)	19	-
Quilter Business Services Limited (formerly Old Mutual Wealth Business Services Limited)	6,761	5,200
Lighthouse Financial Advice Limited	1,382	-
Quilter Investors Limited (formerly Old Mutual Investment Management Limited)	-	116
	94,387	87,301

The terms of loans from related parties are described in note 17.

Outstanding balances are unsecured and interest free. The Company has not provided or benefited from any guarantees for any related party receivables or payables.

During the year, there was no waiver of amounts due from trading subsidiaries (2018: £nil).
Year end balances for related party transactions are as follows:

	2019 £'000	2018 £'000
Quilter plc *	10,318	1,602
Quilter Wealth Limited (formerly Intrinsic Wealth Limited)	500	500
Intrinsic Cirilium Investment Management Company Limited	(350)	(350)
Quilter Private Client Advisers Limited	(27,446)	(35,782)
Quilter Financial Services Limited (formerly Intrinsic Financial Planning Limited)	(25,323)	(24,034)
Quilter Mortgage Planning Limited (formerly Intrinsic Mortgage Planning Limited)	(9,070)	(8,848)
Intrinsic Wealth Financial Solutions Limited	(766)	(766)
Quilter Wealth Limited (formerly Intrinsic Wealth Limited)	(2,731)	(3,869)
Think Synergy Limited	820	646
Blueprint Distribution Limited	(862)	(797)
Old Mutual Business Services Limited	(8,367)	(1,908)
Caerus Wealth Solutions Limited	111	37
Caerus Holdings Limited	(7,437)	927
Blueprint Financial Services Limited	(260)	(267)
Caerus Wealth Limited	(1,791)	(1,296)
Quilter Financial Limited (formerly Caerus Financial Limited)	1,232	965
Quilter Investors Portfolio Management Limited (formerly Caerus Portfolio Management Limited)	-	25
Quilter Financial Planning Solutions Limited (formerly Positive Solutions (Financial	(24,640)	(10,577)
Charles Derby Group Limited	10,138	-
Lighthouse Corporate Services Limited	301	-
	(85,623)	(83,792)

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

21 RELATED PARTY TRANSACTIONS (continued)

* Current tax receivable in respect of tax losses surrendered to the Quilter Group.

Details of transactions with key management personnel are found in note 4, intercompany in notes 7, 14, 16, 17 and investments in subsidiaries are in note 10.

22 CATEGORIES OF FINANCIAL INSTRUMENTS

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 'Financial Instruments' is set out in the following tables. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS9, are reflected in the non-financial assets and liabilities category.

For information about the methods and assumptions used in determining fair value please refer to note 2. The Company's exposure to various risks associated with financial instruments is discussed in note 24.

At 31 December 2019

					£'000
Measurement basis	**Fair Value**				
	Mandatorily at FVTPL	**Designated at FVTPL**	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Assets					
Loans	-	-	29,765	-	29,765
Trade receivables and other assets	-	-	13,718	-	13,718
Other non-financial assets	-	-	-	266,555	266,555
Cash and cash equivalents	105,344	-	8,617	-	113,961
Total assets that include financial instruments	105,344	-	52,100	266,555	423,999
Total other non-financial assets	-	-	-	-	-
Total assets	105,344	-	52,100	266,555	423,999
Liabilities					
Deferred consideration	-	-	-	15,381	15,381
Trade, other payables and other liabilities	-	-	123,930	8,626	132,556
Total liabilities that include financial instruments	-	-	123,930	24,007	147,937
Total other non-financial liabilities	-	-	-	-	-
Total liabilities	-	-	123,930	24,007	147,937

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

22 CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2018

					£'000
Measurement basis	**Fair Value**				
	Mandatorily at FVTPL	**Designated at FVTPL**	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Assets					
Loans	-	-	24,946	-	24,946
Investment in securities	3,400	-	-	-	3,400
Trade receivables and other assets	-	-	3,160	-	3,160
Other non-financial assets	-	-	-	177,032	177,032
Cash and cash equivalents	84,197	-	9,198	-	93,395
Total assets that include financial instruments	87,597	-	37,304	177,032	301,933
Total other non-financial assets	-	-	-	-	-
Total assets	87,597	-	37,304	177,032	301,933
Liabilities					
Deferred consideration	-	-	-	26,812	26,812
Trade, other payables and other liabilities	-	-	101,908	3,997	105,905
Total liabilities that include financial instruments	-	-	101,908	30,809	132,717
Total other non-financial liabilities	-	-	-	-	-
Total liabilities	-	-	101,908	30,809	132,717

NOTES TO THE FINANCIAL STATEMENTS
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23 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE CLASSIFIED ACCORDING TO FAIR VALUE HIERARCHY

The tables below present a summary of the Company's financial assets and liabilities that are measured at fair value in the statement of financial position according to their IFRS 9 classification, as set out in changes to accounting policies in note 2. The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods selected, comparative information is not restated.

The Company has not disclosed the fair value for financial instruments such as short term trade receivables and payables because their carrying values are a reasonable approximation of fair value.

The majority of the Company's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1).

	2019 £'000	2019 %	2018 £'000	2018 %
Financial assets measured at fair value				
Level 1	105,344	100%	84,197	96%
Level 3	-	-	3,400	4%
Total	105,344	100%	87,597	100%

At 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets measured at fair				
Mandatorily (fair value through profit or	105,344	-	-	105,344
Investment in securities	-	-	-	-
Cash and cash equivalents	105,344	-	-	105,344
Total assets measured at fair value	105,344	-	-	105,344

At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets measured at fair				
Mandatorily (fair value through profit or	84,197	-	3,400	87,597
Investment in securities	-	-	3,400	3,400
Cash and cash equivalents	84,197	-	-	84,197
Total assets measured at fair value	84,197	-	3,400	87,597

24 MAXIMUM EXPOSURE TO CREDIT RISK

The tables below represent the Company's maximum exposure to credit risk. The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

										£'000
	Credit rating relating to financial assets that are neither past due nor impaired									
At 31 December 2019	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Internally rated**	**Included through consolidation of funds**	**Carrying value including held for sale**	**Less: Amount classified held for sale**	**Carrying value**
Short-term funds and securities	-	-	-	-	-	-	-	-	-	-
Assets subject to 12 month ECL model	-	-	-	-	-	-	-	-	-	-
Loans neither past due nor impaired	-	-	-	-	-	29,765	-	-	-	29,765
Cash and cash equivalents	108,039	-	5,922	-	-	-	-	-	-	113,961
Other receivables	-	-	-	-	-	2,770	-	-	-	2,770
	108,039	-	5,922	-	-	32,535	-	-	-	146,496
	108,039	-	5,922	-	-	32,535	-	-	-	146,496

										£'000
	Credit rating relating to financial assets that are neither past due nor impaired									
At 31 December 2018	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Internally rated**	**Included through consolidation of funds**	**Carrying value including held for sale**	**Less: Amount classified held for sale**	**Carrying value**
Financial investments	-	-	-	-	-	3,400	-	-	-	3,400
Short-term funds and securities	-	-	-	-	-	-	-	-	-	-
Other investments and securities	-	-	-	-	-	3,400	-	-	-	3,400
Assets subject to 12 month ECL model	-	-	-	-	-	-	-	-	-	-
Loans neither past due nor impaired	-	-	-	-	-	24,946	-	-	-	24,946
Cash and cash equivalents	84,197	-	9,198	-	-	-	-	-	-	93,395
Other receivables	-	-	-	-	-	3,160	-	-	-	3,160
	84,197	-	9,198	-	-	28,106	-	-	-	121,501
	84,197	-	9,198	-	-	31,506	-	-	-	124,901

25 PENSION SCHEME

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £1,982,000 (2018: £1,547,000).

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26 SHARE BASED PAYMENTS

During the year ended 31 December 2019, the Company participated in a number of share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

Measurements & assumptions
The Company operates the following share-based payment schemes with awards over Quilter plc shares which came into force on 25 June 2018: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, and the Quilter plc Sharesave Plan.

The Old Mutual Wealth Joint Share Ownership Plan and the Old Mutual Wealth Phantom Share Reward Plan were awards over Old Mutual plc shares or, in the case of the Old Mutual Wealth Phantom Share Reward Plan, notional Old Mutual plc shares. These share-based payment schemes were transferred to awards over Quilter plc shares on 25 June 2018 and continue to the original vesting dates.

	Description of award				Vesting conditions			
Scheme	**Restricted Shares**	**Conditional Shares**	**Options**	**Other**	**Dividend entitlement[1]**	**Contractual Life(years)**	**Typical Service (years)**	**Performance (measure)**
Quilter plc Performance Share Plan - Share Options (Nil cost options)	-	-	y	-	y	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan - Conditional Shares	-	y	-	-	y	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan - Conditional Shares	-	y	-	-	y	Typically 3	3	-
Quilter plc Share Incentive Plan - Restricted Shares	y	-	-	-	y	Not less than 3	2	-
Old Mutual Wealth Joint Share Ownership Plan - Jointly Owned/Restricted Shares[4]	y	-	-	y	y	3	3	-
Old Mutual Wealth Phantom Share Reward Plan - Conditional Shares[5]	-	y	-	-	y	Typically 3	3	-

[1]Participants are entitled to actual dividends for the Joint Share Ownership Plan Restricted shares and the Share Incentive Plan. For all other schemes participants are entitled to dividend equivalents.

[2]Adjusted Profit compound annual growth rate ("CAGR").

[3]The Quilter plc Sharesave Plan is linked to a savings plan.

y Applicable to the Company

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

26 SHARE BASED PAYMENTS (continued)

[4]The Joint Share Ownership Plan (“JSOP”) was implemented for certain key employees of the Company in 2013, with the final grant of awards in 2016. It provided participants with an interest in the capital growth of the company by granting joint ownership of shares in Old Mutual Wealth Management Limited (now Quilter plc) with an EBT, whereby the trust owned the principal value of the shares and the participants owned any growth in value during the vesting period. Upon the demerger and listing of Quilter plc, the trust exercised a call option to acquire the participants' interest in the shares based on the growth in value of the Company between grant and listing, in return for consideration shares in Quilter plc. The consideration shares for any awards that remain unvested are restricted until the normal vesting date and attract dividends during that time.

[5]Awards granted under the Phantom Share Reward Plan prior to the demerger of Quilter plc were made over notional ordinary shares in Old Mutual plc that were settled in cash on the vesting date. Upon the demerger and listing of Quilter plc, all unvested notional share awards were converted to conditional awards over ordinary shares in Quilter plc, which will be settled in Quilter plc shares on the normal vesting dates.

Reconciliation of movements in options
The movement in options outstanding under the Performance Share Plan and Sharesave Plan arrangements during the year is detailed below:

		Year ended 31 December 2019		Year ended 31 December 2018
Options over shares (London Stock Exchange)	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at beginning of period	213,793	£0.00	630,822	£1.61
Granted during the period	1,652,447	£1.08	213,793	£0.00
Forfeited during the period	(3,744)	£1.25	(177,981)	£1.61
Exercised during the period	-	£0.00	(450,454)	£1.61
Expired during the period	-	£0.00	(2,837)	£0.00
Cancelled during the period	(40,800)	£1.25	-	£0.00
Outstanding at end of period	1,821,696	£0.95	213,793	£0.00
Exercisable at end of the period	-	-	-	-

The weighted average fair value of options at the measurement date, for options granted during the year ended 31 December 2019 is £0.40, and for the year ended 31 December 2018 was £1.24.

The options outstanding at 31 December 2019 have exercise prices of £nil for the Quilter plc Performance Share Plan and £1.25 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 2.6 years. At 31 December 2018 the exercise price was £nil, as they were all nil cost options, with a weighted average remaining contractual life of 2.2 years.

Measurements and assumptions
In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Company makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted which is valued and ‘locked in’ at the grant date.

26 SHARE BASED PAYMENTS (continued)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of fair value of share options granted is measured using either a Black-Scholes option pricing model or a Monte Carlo simulation.

The inputs used in the measurement of fair values at the grant date for awards granted during 2019 were as follows:

Scheme	Weighted Average Share Price £	Weighted Average Exercise Price £	Weighted Average Expected Volatility	Weighted Average Expected Life (years)	Weighted Average Risk Free Interest Rate	Weighted Average Expected Dividend Yield	Expected Forfeitures per annum
Quilter plc Performance Share Plan - Share Options (Nil cost options)	1.39	0.00	29.30%	2.75	0.60%	0.00%	4%
Quilter plc Performance Share Plan - Conditional Shares	1.39	0.00	29.30%	3.00	0.60%	0.00%	4%
Quilter plc Share Reward Plan - Conditional Shares	1.39	0.00	29.30%	2.04	0.60%	0.00%	4%
Quilter plc Sharesave Plan	1.42	1.25	28.10%	3.65	0.80%	3.00%	10%

Forfeitable/Restricted/Conditional share grants
he following summarises the fair value of Restricted Share and Conditional Shares granted by the Company during the year:

	Year ended 31 December 2019		Year ended 31 December 2018	
Instruments granted during the year	**Number granted**	**Weighted average fair value**	**Number granted**	**Weighted average fair value**
Quilter plc Performance Share Plan – Conditional Shares	221,792	£1.39	258,370	£1.52
Quilter plc Share Reward Plan – Conditional Shares	446,502	£1.39	-	-
Quilter plc Share Incentive Plan – Restricted Shares	-	-	714,045	£1.53
Old Mutual Wealth Phantom Share Reward Plan – Conditional Shares	-	-	361,242	£1.52

Financial impact
The total expense recognised for the period arising from equity compensation was as follows:

	Year ended 31 December 2019 £'000's	Year ended 31 December 2018 £'000's
Total expense arising from equity-settled share and share option plans	1,136	1,488

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

27 EVENTS AFTER THE REPORTING DATE

Transactions in securities
A sale and purchase agreement transferring the ownership of Quilter Investors Portfolio Management Limited from Caerus Holdings Limited to Quilter plc became effective on 1 January 2020.

Lighthouse Group PLC
The Company issued 12,000,000 of £1 ordinary shares for a consideration of £12,000,000 on the 21 April 2020 and 23,000,000 of £1 ordinary shares for a consideration of £23,000,000 on the 29 June. Both share issues were to its parent, Old Mutual Wealth Holdings Limited to provide funding for the purchase of shares in its subsidiary, Lighthouse Group plc.

Prior to its acquisition by Quilter Financial Planning, Lighthouse provided pension transfer advice to around 300 British Steel pension scheme members between 2016 and 2018. The Company was advised after the 2019 year end of a number of complaints relating to the advice given in respect of the above. A review of British Steel pension scheme cases advised by Lighthouse has been initiated to assess the standard of advice given to British Steel pension scheme members.

The Company continues to provide financial support to Lighthouse and contributed £25m of capital into Lighthouse, £15m 21 April 2020 and £10m 29 June2020. The capital injection is funded in part by a £23m capital injection from the Company's parent company, Old Mutual Wealth Holdings Limited – refer note 28. The Company has confirmed to Lighthouse Advisory Services Limited that it will continue to make funds available to it for the foreseeable future, being a minimum of 18 months from the 26th May 2020, the date on which the Lighthouse Advisory Services Limited financial statements were approved, and will not seek repayment of funds provided during that period. The Company has in turn received a capital requirement commitment from Quilter plc its ultimate parent.

Quilter Wealth Limited
On the 29 June 2020, the company purchased 8,000,000,000 shares in Quilter wealth Limited, one of its subsidiaries for £4,000,000, providing its subsidiary with capital support.

COVID-19
In early 2020, the existence of COVID-19 was confirmed, which has since spread across a significant number of countries, leading to the disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.

28 ULTIMATE PARENT COMPANY

The immediate parent company is Old Mutual Wealth Holdings Limited, a company registered in England and Wales.

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

The Company Secretary
Quilter plc
5th Floor, Millennium Bridge House
2 Lambeth Hill
London
EC4V 4AJ