Registered in England and Wales No. 01579311

Quilter Business Services Limited

(formerly Old Mutual Wealth Business Services Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2019

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COMPANY INFORMATION

Directors	D J L Eardley P J Hucknall M O Satchel
Secretary	Quilter CoSec Services Limited
Banker	National Westminster Bank Plc 68 Above Bar Street Southampton SO14 7DS
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Registered office	Old Mutual House Portland Terrace Southampton SO14 7EJ Telephone: 0808 171 2626 Website: www.quilter.com Registered in England and Wales No. 01579311

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 Business Services Limited (the "company"), formerly Old Mutual Wealth Business Services Limited, during the year continued to be the provision of management and administrative services to the Quilter plc group (the "group").

The company is part of the Quilter plc group. 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 Wealth Platforms segment.

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

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

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

Quilter Business Services Limited is the management services company for the majority of entities within the group. The company pays for a significant portion of the expenses for the group, and then recharges them on to the applicable operating entities by way of a management fee. The company makes a profit by adding a mark-up to the management fee, except to former subsidiary undertaking, Old Mutual Wealth Life Assurance Limited and to fellow subsidiary undertaking Old Mutual Wealth Life & Pensions Limited, where fees are charged at cost.

A transitional service agreement (TSA) is in place with Reassure ('The Acquirer', in respect of Old Mutual Wealth Life Assurance Limited) for 2020 and 2021. In 2020 it is expected that £14m of costs incurred will be met with corresponding income from Reassure.

Turnover for the year was £377,425,000 (2018: £376,548,000).

The profit for the year, after taxation, amounted to £11,193,000 (2018: £13,963,000).

Key performance indicators table

	2019 £'000	2018 £'000
Management fee income	377,425	376,548
Administration expenses	(363,593)	(363,690)
IFRS profit after tax	11,193	13,963
Net assets	75,315	71,109
Cash and cash equivalents	78,331	70,940
Average number of employees	2,333	2,002

STRATEGIC REPORT (continued)

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

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

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

At this time, there remain the much publicised concerns about the risk of Coronavirus becoming a global pandemic and further impact to global supply chains, global growth and employee availability. The group could be adversely impacted by falls in equity market levels, adverse investor sentiment affecting NCCF and increased operational risks should employment availability be badly affected. The length and severity of the impact remains unclear but the group would not expect these to adversely change the underlying prospects of the business.

SECTION 172 (1) STATEMENT
The company operates within the governance framework, policies and practices set by the board of its ultimate parent company Quilter plc. These are described in the Quilter plc 2019 Annual Report. The following statement should therefore be read in conjunction with the Quilter plc Annual Report.

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

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

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

CORPORATE GOVERNANCE STATEMENT
Quilter plc is subject to the requirements of the 2018 UK Corporate Governance Code (the Code) and complied with all its provisions during the year. The company has chosen not to apply a governance code during the year. As a wholly owned subsidiary of Quilter plc, the company has instead complied with the Quilter plc Group Governance Manual which sets out certain minimum standards and guidance for the governance frameworks of Quilter plc's subsidiaries. The Board is comprised of executives of the Quilter plc group. The Board's composition is consistent with the Quilter plc Group Governance Manual's requirements.

By order of the board

D J L Eardley
Director
10 March 2020

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

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

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

D J L Eardley
P J Hucknall
M O Satchel

The company secretary during the period was Quilter CoSec Services Limited (formerly OMW CoSec Services Limited).

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

DIVIDENDS
During the year dividends of £16,000,000 (2018: £16,000,000) were paid.

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

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

BUSINESS RELATIONSHIPS STATEMENT
From the perspective of the board, as a result of the group governance structure whereby the entity board is embedded within the group, the matters that it is responsible for carrying out the duties of a board in respect of the company's other stakeholders have been considered to an appropriate extent by both the Quilter group board and the board of the company.

An explanation of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year, has been set out in the group's annual report and accounts, which does not form part of this report.

EMPLOYEES
The company is committed to the development of policies to promote an inclusive culture and equal opportunities in employment for all its employees and ensuring that everyone has the opportunity to fulfil their full 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.

From the perspective of the board, as a result of the Quilter group governance structure whereby the entity board is embedded within the group, the matters that it is responsible for in carrying out the duties of a board in respect of the company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the company during the financial year) have been considered to an appropriate extent by both the Quilter group board and the board of the company.

An explanation of how the group board has carried out these responsibilities has been set out in the group's annual report and accounts, which does not form part of this report.

An employee forum exists where employees have the opportunity to voice their views and opinions. It also provides a channel for the company to inform and consult on any proposals impacting on employees. In addition, the views of colleagues are sought through regular engagement surveys to identify where the company is doing well and where there is scope to improve.

DIRECTORS' REPORT (continued)

The company has a full communication plan in place across all of its business areas. This is designed to ensure that employees are fully briefed on a range of topics including company strategy, performance and results, external social, financial and economic factors impacting its business, its community and responsible business activities, and matters directly impacting individuals such as mental and physical well-being initiatives.

We have an active learning and development programme and a mentoring programme, which continues to support employees' career development.

Following the listing of Quilter plc in June 2018, virtually all staff were awarded free shares in Quilter plc and so have a direct stake in its success. In addition, the employee incentive schemes link personal objectives and company objectives by involving the employees in the company's performance.

DISCLOSURE OF INFORMATION TO AUDITOR

Each director at the date of approval of this report confirms that:

– so far as the directors are each aware, there is no relevant audit information of which the company's auditor is unaware; and

– each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

STATEMENT OF GOING CONCERN

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

AUDITOR

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

By order of the board

D J L Eardley
Director
10 March 2020

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

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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 BUSINESS SERVICES LIMITED

Opinion
We have audited the financial statements of Quilter Business Services Limited ("the company") for the year ended 31 December 2019 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

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

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

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF QUILTER BUSINESS 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 6, 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.

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

10 March 2020

INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019[1] £'000	2018 £'000
Revenue			
Management fees		377,425	376,548
Investment return	4	377	340
Total revenue		377,802	376,888
Expenses			
Administrative expenses	5	(363,593)	(363,690)
Financing costs[2]	8	(1,751)	-
Total expenses		(365,344)	(363,690)
Profit before tax		12,458	13,198
Income tax (expense)/credit	10	(1,265)	765
Profit for the year after tax		11,193	13,963
Attributable to equity holders		11,193	13,963

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

[2] Following adoption of IFRS 16, financing costs includes interest on lease liabilities.

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

The notes on pages 14 to 41 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	2019	2018
	£'000	£'000
Profit for the year	11,193	13,963
Total comprehensive income for the year		
All attributable to equity holders	11,193	13,963

The notes on pages 14 to 41 are an integral part of these financial statements.

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

	Note	Share capital	Share-based payment reserve	Retained earnings	Total shareholders' equity
		£'000	£'000	£'000	£'000
Shareholders' equity at beginning of year		700	16,920	53,489	71,109
Adjustment on initial application of IFRS 16[1]		-	-	(2,147)	(2,147)
Balance at 1 January 2019		700	16,920	51,342	68,962
Profit for the year		-	-	11,193	11,193
Share-based payments	24	-	2,294	8,866	11,160
Dividends paid	9	-	-	(16,000)	(16,000)
Balance at 31 December 2019		700	19,214	55,401	75,315

	Note	Share capital	Share-based payment reserve	Retained earnings	Total shareholders' equity
		£'000	£'000	£'000	£'000
Balance at 1 January 2018					
Profit for the year		700	9,847	45,593	56,140
Share-based payments		-	-	13,963	13,963
Dividends paid	24	-	7,073	9,933	17,006
Balance at 31 December 2018	9	-	-	(16,000)	(16,000)
		700	16,920	53,489	71,109

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

The notes on pages 14 to 41 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	Notes	2019[1] £'000	2018 £'000
Assets			
Property, plant and equipment[2]	11	101,035	6,874
Intangible assets	12	171	278
Investments in collective investment schemes	13	547	565
Deferred tax assets	14	12,613	12,714
Other receivables	15	72,408	68,769
Cash and cash equivalents	16	78,331	70,940
Total assets		265,105	160,140
Equity and liabilities			
Equity			
Share capital	18	700	700
Share-based payments reserve		19,214	16,920
Retained earnings		55,401	53,489
Total equity		75,315	71,109
Liabilities			
Provisions	19	8,353	3,806
Current tax payable		5,414	5,745
Lease liabilities[2]	20	95,768	-
Other payables	21	80,255	79,480
Total liabilities		189,790	89,031
Total equity and liabilities		265,105	160,140

[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, plant and equipment and lease liabilities within Lease liabilities.

The notes on pages 14 to 41 are an integral part of these financial statements.

Approved by the board of directors on 10 March 2020 and signed on its behalf by:

M O Satchel
Director

Company registered number: 01579311

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit before tax	12,458	13,198
Non-cash movements in profit before tax	20,023	19,339
Net changes in working capital	2,344	(7,675)
Taxation	(911)	1,885
Total net cash flows from operating activities	33,914	26,747
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,707)	(2,682)
Acquisition of intangible assets	-	(34)
Total net cash flows used in investing activities	(6,707)	(2,716)
Cash flows from financing activities		
Dividends paid	(16,000)	(16,000)
Payments of interest on lease liabilities[1]	(1,751)	-
Payments of principal lease liabilities[1]	(2,065)	-
Total net cash flows used in financing activities	(19,816)	(16,000)
Net increase in cash and cash equivalents	7,391	8,031
Cash and cash equivalents at beginning of the year	70,940	62,909
Cash and cash equivalents at end of the year	78,331	70,940

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

The notes on pages 14 to 41 are an integral part of these financial statements.

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

1 GENERAL INFORMATION

Quilter Business Services Limited (the “company") is a limited company incorporated in England and Wales. The address of its registered office is disclosed in the company information section on page 1. The principal activities of the company are disclosed in the strategic report.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards (“IFRSs”) as adopted by the EU. The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which have been recognised at fair value. The financial statements have been prepared in pounds sterling and are rounded to the nearest thousand.

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

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

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

The company has adopted IFRS 16 *Leases* from 1 January 2019. 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 asset specific incremental borrowing rates.

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

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

The company currently has material lease commitments of varying durations for the rental of numerous office buildings. 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

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

	£'000
Right-of-use assets presented in property, plant and equipment	34,811
Lease liabilities presented in lease liabilities	(38,055)
Rent free equalisation and dilapidation provision adjustment	647
Deferred tax adjustment	450
Adjustment to opening retained earnings at 1 January 2019	**(2,147)**

When measuring the lease liabilities, the company discounted the lease payments using its asset specific incremental borrowing rates at 1 January 2019 which ranged from 1.6% to 3.7%, with a weighted average rate of 3.7%. The company's operating lease commitments where the company is the lessee at 31 December 2018 were valued at £46,965,000 under IAS 17. Upon adoption of IFRS 16 on 1 January 2019, this was recalculated to £38,055,000 using the incremental borrowing rates above. The simplified transition approach creates deferred tax implications, so as the corporation tax deduction is spread over the length of the remaining leases, the deferred tax is unwound over the same period.

Impacts for the year

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

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

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

	£'000
Right-of-use assets presented in property, plant and equipment at 1 January 2019	34,811
Additions	59,784
Depreciation charge for right-of-use assets for the year	(4,066)
Right-of-use assets presented in property, plant and equipment at 31 December 2019	**90,529**
Lease liability at 1 January 2019	(38,055)
Additions	(59,778)
Lease liability reduction for the year	2,065
Lease liability at 31 December 2019	**(95,768)**
Lease liability to be settled within 12 months	(3,269)
Lease liability to be settled after 12 months	(92,499)
Lease liability at 31 December 2019	**(95,768)**
Less than one year	(4,566)
One to five years	(29,661)
More than five years	(85,168)
Total undiscounted lease liability at 31 December 2019	**(119,395)**

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

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

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

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

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. The standard has four categories, of which two are applicable within the Quilter plc group: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

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

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

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

Financial investments

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

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

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

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

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

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

Trade payables and receivables
Trade payables and receivables are classified as amortised cost and non-financial assets. Due to their short term nature, their carrying amount is considered to be the same as their fair value.

Investments in subsidiaries
Parent company investments in subsidiary undertakings are initially stated at cost. All subsidiaries are dormant, non-trading companies which were incorporated as name protection entities, and are held at cost.

Impairment of financial assets The impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. Financial assets at amortised cost include trade receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value).

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage expected credit loss ("ECL") impairment model:

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

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

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

Impaired financial assets:

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

Application of the impairment model
The company applies IFRS 9's ECL model to two main types of financial asset that is measured at amortised cost:
– trade receivables and cash, 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.

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

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The company has implemented its impairment methodology for estimating the ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition it has identified indicators and set-up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the company on terms that the company would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will go over 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

Critical accounting estimates and judgements
The preparation of the financial statements requires management to exercise judgement in applying the company's significant accounting policies. Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the company's business that typically require such estimates are provisions and deferred tax. Each of these areas is discussed in more detail in the relevant accounting policies and notes to the financial statements.

Area	Critical accounting judgements	Notes
Provisions - recognition	In assessing whether a provision should be recognised, the company evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. The company holds onerous contract provisions for stranded IT costs relating to the ongoing provision of IT services for the divested entities.	19
Recognition of provisions following the disposal of Old Mutual Wealth Life Assurance Limited	The group has exercised significant judgement in establishing provisions in respect of the disposal of Old Mutual Wealth Life Assurance Limited (OMWLA). The disposal of OMWLA has led to a series of business activities related to the sale of the business resulting in costs to separate the business from the group, including its separation from a significant number of shared IT systems. Provisions have been established where costs are either contractual within the disposal agreement or represent a constructive liability in respect of ancillary work to separate the businesses. Judgement has also been applied in respect of establishing a provision for the costs of a Transitional Services Agreement ("TSA") with the acquirer, based on the expected number of staff, their likely skill levels and related costs required to fulfil the contract conditions.	19

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

Area	Critical accounting estimates	Notes
Provisions - measurement	The amount of provision is calculated based on the company's estimation of the expenditure required to settle the obligation at the reporting date. The provision is based on the contracted IT costs for the services provided to the divested businesses up to the end of contract date.	19
Measurement of disposal of Old Mutual Wealth Life Assurance Limited provisions	Management has applied significant estimates in respect of the OMWLA disposal related provisions, including numbers of staff, costs and length of time required to complete the various aspects of work required to separate the businesses. The work will continue over the next two years, particularly in respect of the migration of IT systems to the acquirer and as the related TSA services are delivered.	19
Deferred tax - measurement	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a 3 year planning horizon.	14

Property, plant and equipment
Items of equipment are reported at cost less accumulated depreciation and impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

	Years
Office equipment and computers	3 - 5
Fixtures and fittings	5 - 10
Right-of-use assets	2 - 21

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset. This gain or loss is recognised in the income statement.

Intangible assets
Purchased software and internally developed software are reported at cost less accumulated amortisation and impairment losses.

Internally developed software is amortised over its estimated useful life. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the group and its cost can be measured reliably.

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Costs incurred in the research phase are expensed whereas costs incurred in the development phase are capitalised subject to meeting specific criteria set out in the relevant accounting guidance, the main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the relevant software, which range between three and five years.

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

Other payables
Other payables are not interest-bearing and are stated as either non-financial liabilities or at amortised cost, which is not materially different to cost and approximates to fair value cost.

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

Dividend income
Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

Management fee income
Management fee income represents management fees from group undertakings for the provision of management and administrative services. Management fees are charged at a mark-up except to former subsidiary undertaking Old Mutual Wealth Life Assurance Limited and fellow subsidiary undertaking Old Mutual Wealth Life & Pensions Limited, where fees are charged at cost.

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

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

Employee benefits
The company operates a defined contribution pension scheme. Contributions to defined contribution pension plans are charged to the income statement as they become payable in accordance with the rules of the scheme. The assets of the plans are held separately from those of the company and are independently administered.

Share-based payments
The grant-date fair value of Quilter plc equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a 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.

Operating leases
Prior to the introduction of IFRS 16 leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals paid under operating leases were charged to the income statement on a straight line basis over the term of the lease.

Taxation
Current tax

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

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

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

Deferred tax
Deferred taxes are calculated according to the statement of financial position method, based on temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

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

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

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated to sterling at the year-end closing rate. Non-monetary assets denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate in effect at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate in effect at the date when the fair value was determined. Foreign exchange rate differences that arise are reported net in the income statement as foreign exchange gains/losses.

Investments in collective investment schemes
Investments in collective investment schemes are designated at fair value through the income statement at initial recognition and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Holdings in unit trusts are valued at quoted bid price for long positions and quoted offer price for short positions. Open Ended Investment Company ("OEIC") assets are single priced funds and are valued at the quoted net asset value per share. Any holdings in dual priced unit trusts are priced at the mid-price of the creation and cancellation prices. Purchases and sales of securities and currencies are recognised on the trade date.

3 FINANCIAL INSTRUMENTS RISK

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

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

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

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

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

The company's principal operational risks are primarily driven from the provision of management and administration services to the Quilter plc group and include the effects of failure of the administration processes, information technology and information security risks, management processes, legal risks, risks relating to critical third party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

Credit and counterparty risk
Credit and counterparty risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency.

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

The company has financial exposures to fellow group companies. The credit risk arising from the group counterparties failing to meet all or part of their obligations is considered remote.

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

3 FINANCIAL INSTRUMENTS RISK (continued)

Market risk
Market risk is defined as the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency.

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

The company is subject to market risk in the following areas:

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

The company monitors the impact of interest rate changes on its financial position, with the risk managed in line with its Market Risk Policy.

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

	2019 Variable	2018 Variable
Assets		
Deposits with credit institutions	0.51%	0.53%
Current account with credit institutions	0.35%	0.35%

Currency risk
The company is not exposed to significant currency risk except for a contract with a South African supplier. The company is billed in South African Rand and is subject to any movements in the exchange rate.

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

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

The maturity dates of current tax, trade and other payables of £85,669,000 (2018: £85,225,000) all fall due within 3 months.

Maturity analysis
The following tables show the maturities of the company’s liabilities, and of the financial assets held to meet them.

(i) Analysis of maturity of financial liabilities
The following table shows the company’s financial liabilities analysed by duration:

3 FINANCIAL INSTRUMENTS RISK (continued)

	Note	To be settled within 12 months £'000	To be settled after 12 months £'000	2019 Total £'000
Payables and other financial liabilities	21	80,255	-	80,255
Provisions	19	6,063	2,290	8,353
		86,318	2,290	88,608

	Note	To be settled within 12 months £'000	To be settled after 12 months £'000	2018 Total £'000
Payables and other financial liabilities	21	79,480	-	79,480
Provisions	19	1,511	2,295	3,806
		80,991	2,295	83,286

(ii) Analysis of maturity of financial assets

The following table provides an analysis, by maturity date of the principal, of the carrying value of the financial assets which are available to fund the repayment of liabilities as they crystalise.

	Note	To be settled within 12 months £'000	To be settled after 12 months £'000	2019 Total £'000
Receivables and other financial assets	15	72,408	-	72,408
Cash and cash equivalents	16	78,331	-	78,331
		150,739	-	150,739

	Note	To be settled within 12 months £'000	To be settled after 12 months £'000	2018 Total £'000
Receivables and other financial assets	15	68,760	9	68,769
Cash and cash equivalents	16	70,940	-	70,940
		139,700	9	139,709

Risk and capital management

The Quilter plc group 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.

Historically, Quilter Business Services Limited has required a modest capital base. This is because, for the majority of the business, the company has limited risk by virtue of the fact that costs incurred are recharged to fellow subsidiaries either on a cost or cost plus basis.

In the event of the company incurring losses resulting in erosion of its capital base or requiring funding for assets that it will not be able to immediately recover from other group entities in the form of management charges, it is supported financially by its fellow subsidiary Old Mutual Wealth Holdings Limited.

The company has net assets of £75,315,000 (2018: £71,109,000). Old Mutual Wealth Holdings Limited has provided the company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

NOTES TO THE FINANCIAL STATEMENTS
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4 INVESTMENT RETURN

	2019 £'000	2018 £'000
Interest on short term bank deposits (amortised cost)	95	165
Interest on short term bank deposits (mandatorily at FVTPL)	282	175
	377	340

There has been no interest income earned on impaired financial assets.

5 ADMINISTRATIVE EXPENSES

	2019 £'000	2018 £'000
Staff costs	199,973	200,390
Depreciation	3,075	2,889
Depreciation charge for right-of-use assets [1]	4,066	-
Operating lease payments [2]	-	5,310
Amortisation of purchased software	107	103
Auditor's remuneration: audit services paid to KPMG LLP	50	50
Administration and other expenses	156,322	154,948
Other operating and administrative expenses	363,593	363,690

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

[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]The operating lease payments in 2018 relate to property and motor vehicle leases only and are all accounted for under IFRS 16 in 2019.

6 EMPLOYEE BENEFITS

	2019 £'000	2018 £'000
Wages and salaries	146,908	142,721
Share-based payments	11,026	13,148
Social security costs	15,033	13,635
Other pension costs	8,614	7,395
	181,581	176,899
The average number of employees was as follows:	2,333	2,002

Included within the wages and salaries costs for the current year are termination benefits of £1,852,000 (2018: £1,485,000)

The above costs are included within administrative expenses on the income statement. The benefits quoted above differ to the total in the staff costs within admin expenses, which include training and recruiting, other personnel expenses and car expenses.

All employees were involved in the administration of the group's activities in the current and prior year. The pension costs shown above are the company's contributions into defined contribution pension plans. The additional cost of providing death in service benefits in the year was £307,000 (2018: £286,000).

7 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2019 £'000	2018 £'000
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	-	41
Share-based payments	-	14

3 directors had money paid to a money purchase scheme during the year (2018: 3).

3 directors, including the highest paid director, received or were due to receive shares or share options under a long term incentive scheme (2018: 3). 2 directors (2018: 3) exercised options during the year.

Shares or share options were in Old Mutual plc shares for the period up to the Quilter plc listing date (25 June 2018), and in Quilter plc shares for the period from listing date onwards.

	2019 £'000	2018 £'000
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	-	23

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

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

In 2019 the time allocation of the Quilter Business Services Limited directors was reviewed. As a result the directors remuneration is fully allocated out to the entities across the Quilter group, where as in prior years the allocation included a part allocation of their time to Quilter Business Services Limited.

8 FINANCING COSTS

	2019[1] £'000	2018 £'000
Interest charge on lease liabilities (see note 20)	1,751	-

[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 asset specific incremental borrowing rates.

NOTES TO THE FINANCIAL STATEMENTS
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9 DIVIDENDS PAID

	2019	2018
	£'000	£'000
Dividends paid to Quilter plc		
Aggregate dividends	16,000	16,000
Dividends per share	2,285.71p	2,285.71p

10 TAXATION

	2019	2018
	£'000	£'000
Current year corporation tax credit	(513)	(2,026)
Prior year corporation tax charge	781	175
Deferred tax charge	997	1,086
Tax charge/(credit) for the year	1,265	(765)
The total tax credit for the year can be reconciled to the accounting profit as follows:		
Profit before tax	12,458	13,198
Tax on profit at the applicable tax rate, 19% (2018: 19%)	2,367	2,508
Effect of:		
Expenses not deductible for tax purposes	(267)	1,583
Prior year adjustments to deferred tax	(49)	-
Prior year corporation tax charge	781	175
Recognition of previously unrecognised deferred tax assets	(1,875)	(2,609)
Effect on deferred tax for changes in tax rates	308	(51)
Utilisation of previously unrecognised deferred tax	-	(2,371)
	1,265	(765)

Since 1 April 2017 the main rate of UK corporation tax has been 19%. A reduction to 17% from 1 April 2020 was enacted in 2016.

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

11 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use asset £'000	Office equipment and computers £'000	Motor vehicles owned £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 January 2018	-	38,056	34	7,174	45,264
Additions	-	668	-	2,014	2,682
At 31 December 2018	-	38,724	34	9,188	47,946
Implementation of IFRS 16	47,292	-	-	-	47,292
Disposals	-	-	(34)	-	(34)
Additions	59,784	2,193	-	4,514	66,491
At 31 December 2019	107,076	40,917	-	13,702	161,695
Accumulated depreciation and impairment					
At 1 January 2018	-	32,973	34	5,176	38,183
Depreciation charge for the year	-	2,480	-	409	2,889
At 31 December 2018	-	35,453	34	5,585	41,072
Implementation of IFRS 16	12,481	-	-	-	12,481
Disposals	-	-	(34)	-	(34)
Depreciation charge for the year	4,066	2,307	-	768	7,141
At 31 December 2019	16,547	37,760	-	6,353	60,660
Carrying amount					
At 31 December 2018	-	3,271	-	3,603	6,874
At 31 December 2019	90,529	3,157	-	7,349	101,035

12 INTANGIBLE ASSETS

	Purchased software £'000	Internally developed software £'000	Total £'000
Cost			
At 1 January 2018	11,307	62,711	74,018
Additions	34	-	34
At 31 December 2018	11,341	62,711	74,052
Additions	-	-	-
At 31 December 2019	11,341	62,711	74,052
Accumulated amortisation and impairment			
At 1 January 2018	10,960	62,711	73,671
Amortisation charge for the year	103	-	103
At 31 December 2018	11,063	62,711	73,774
Amortisation charge for the year	107	-	107
At 31 December 2019	11,170	62,711	73,881
Carrying amount			
At 31 December 2018	278	-	278
At 31 December 2019	171	-	171

13 INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES

	2019 £'000	2018 £'000
At fair value through the income statement		
Investments in collective investment schemes	547	565

These investments are individually insignificant and short term.

14 DEFERRED TAX

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

	Accelerated depreciation £'000	Share based payments £'000	Other carried forward £'000	Total £'000
Asset at 31 December 2017	13,800	-	-	13,800
Movement in the year	(2,854)	1,580	188	(1,086)
Asset at 31 December 2018	10,946	1,580	188	12,714
Movement in the year	(2,424)	1,762	561	(101)
Asset at 31 December 2019	8,522	3,342	749	12,613

Since 1 April 2017 the main rate of UK corporation tax has been 19%. A reduction to 17% from 1 April 2020 was enacted in 2016.

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

The recognition of deferred tax assets is subject to the estimation of future taxable profits, which is based on the Quilter plc group annual business planning process and in particular on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements and related movements in foreign exchange rates, together with estimates of net client cash flow, expenses and other charges.

The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the group assesses recoverability based on estimated taxable profits over a 3 year planning horizon. Where credible longer term profit forecasts are available (e.g. for the life insurance companies) the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing.

Sensitivity analysis demonstrates significant headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the Quilter plc group 3 year planning horizon. The impact of a 20% decrease in profitability over that period has been assessed and would not result in any impact over recoverability of deferred tax assets.

The value of the deferred tax assets not recognised as at 31 December 2019 was £11,497,000 (2018: £13,369,000). This relates to accelerated depreciation of £67,629,000 (2018: £78,531,000).

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

15 OTHER RECEIVABLES

	2019 £'000	2018 £'000
Due from immediate parent (see note 26)	7,594	5,096
Due from fellow subsidiary undertakings (see note 26)	46,851	51,931
Prepayments and accrued income	15,720	10,777
Other	2,243	965
Other receivables	72,408	68,769

Amounts due from group undertakings are unsecured, current and interest free. All other receivables are short term, current and interest free. All amounts are classified as either at amortised cost or non-financial assets.

16 CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Bank balances	21,331	40,940
Money market OEIC investments	57,000	30,000
Cash and cash equivalents	78,331	70,940

Bank balances are current and recognised at amortised cost. Money market investments are current and are recognised mandatorily at FVTPL.

Bank balances are subject to a 12 month ECL, and are credit rated A.

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

17 INVESTMENTS IN SUBSIDIARIES

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

Company	Shareholding	Registered Office Address
Quilter No1 Limited (formerly Quilter Financial Advisers Limited)[1]	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter Group Limited (formerly Quilter No2 Limited)[1]	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter No3 Limited (formerly Quilter Financial Planning Limited)[1]	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter International Limited[1]	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter Wealth Solutions Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter Cheviot Investment Management Limited[1]	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter Life Assurance Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
OMW Business Services Limited (formerly Quilter Business Services Limited)	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter Life & Pensions Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter Holdings Limited[1]	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Quilter UK Holdings Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ

The value of the investment in each of the subsidiaries is £1.

Investment in subsidiaries
Quilter Business Services Limited holds one ordinary share of £1 in each of these subsidiaries. These are dormant, non trading companies and were incorporated as name protection entities.

Quilter Pension Trustees Limited was sold to Old Mutual Wealth Life & Pensions Limited, a fellow subsidiary undertaking, on the 4 July 2019, for consideration of £1.

[1] These entities are all proposed to be struck off.

18 SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
700,000 (2018: 700,000) ordinary shares of £1 each	700	700

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

19 PROVISIONS

	Sale of OMWLA £'000	Provision for onerous contracts £'000	Provision for onerous leases £'000	Total £'000
Balance at 1 January 2018	-	6,681	147	6,828
Release of provision	-	-	(147)	(147)
Utilisation	-	(2,875)	-	(2,875)
Balance at 31 December 2018	-	3,806	-	3,806
Additions in the year	6,058	-	-	6,058
Utilisation	-	(1,511)	-	(1,511)
Balance at 31 December 2019	6,058	2,295	-	8,353

Old Mutual Wealth Life Assurance (OMWLA), a fellow subsidiary, was sold on 31 December 2019, resulting in a number of provisions totalling £6,058,000 being established in respect of the costs of disposing the business and the related costs of business separation. Management estimate a provision sensitivity of +/-25% (£1,500,000).

The costs of business separation arise from the process to separate OMWLA's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, contracts and facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, and estimates of the time required for incremental resource costs to achieve the separation.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work will take place during 2020 and 2021. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management have made use of their past experience of previous IT migrations following business disposals.

The provision for onerous contracts is primarily in respect of continuing IT contracts with group businesses which have been sold. Management estimate a provision sensitivity of +/-25% (£574,000m).

2018 included the final release of the onerous lease provision, as a result of the lease of Mountbatten House Southampton, ending in 2015.

Of the total provisions recorded above, £ 2,290,000 (2018: £ 2,295,000) is estimated to be payable after more than one year.

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

20 LEASE LIABILITIES

	2019[1] £'000
Opening balance 1 January 2019	38,055
Finance interest charge for the period	59,778
Lease liability reduction for the period	(2,065)
Closing balance at 31 December 2019	**95,768**
Lease liability to be settled within 12 months	3,269
Lease liability to be settled after 12 months	92,499
Total discounted lease liability at 31 December 2019	**95,768**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	4,566
One to five years	29,661
More than five years	85,168
Total undiscounted lease liability at 31 December 2019	**119,395**

[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 the asset specific incremental borrowing rates.

Operating lease arrangements prior to the implementation of IFRS 16

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

These were primarily for the rental of office premises and rental of motor vehicles. At the end of the lease term for each vehicle, the company had the option to either extend the lease or purchase the vehicle, providing it makes a payment of £10 and on the condition that all rental payments have been made (including the balloon rental payable at the end of the hiring period).

At 31 December 2018 the company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Property £'000	Motor vehicles £'000	Total £'000
2018:			
Within one year	3,574	307	3,881
Later than one year, not later than five years	14,297	461	14,758
After five years	27,049	-	27,049
	44,920	768	45,688

No contingent rents were payable and there were no purchase options or escalation clauses in respect of lease property.

21 OTHER PAYABLES

	2019 £'000	2018 £'000
Due to fellow subsidiary undertakings (see note 26)	3,774	1,385
Other taxes and social security costs	2,363	2,400
Trade creditors and accruals	74,118	75,695
Other payables	80,255	79,480

Amounts due to group companies are current, unsecured and interest free. All other amounts are current, short term and interest free. All amounts are recognised as either at amortised cost or non-financial assets.

22 FINANCIAL AND CAPITAL COMMITMENTS

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

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

23 FINANCIAL INSTRUMENTS

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

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

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

2019:	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through the income statement				
- investments in collective investment schemes	547	-	-	547
- cash and cash equivalents - money market funds only	57,000	-	-	57,000
Total assets measured at fair value	57,547	-	-	57,547

2018:	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through the income statement				
- investments in collective investment schemes	565	-	-	565
- cash and cash equivalents - money market funds only	30,000	-	-	30,000
Total assets measured at fair value	30,565	-	-	30,565

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

Extent of involvement in unconsolidated structured entities
The table below sets out the interest held by the company in unconsolidated structured entities. The maximum exposure to loss is equal to the sum of the carrying amount of assets held.

	Investment securities £'000
As at 31 December 2019	
Investment funds	57,547
As at 31 December 2018	
Investment funds	30,565

24 SHARE BASED PAYMENTS

Description of share-based payment arrangements

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.

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, the Old Mutual Wealth Phantom Share Reward Plan and the Old Mutual plc Managed Separation Incentive 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[4] (Nil cost options)	-	-	✓	-	✓	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan - Conditional Shares	-	✓	-	-	✓	Not less than 3	3	Conduct, Risk and Compliance Underpins
Quilter plc Share Reward Plan - Conditional Shares	-	✓	-	-	✓	Typically 3	3	-
Quilter plc Share Incentive Plan - Restricted Shares	✓	-	-	-	✓	Not less than 3	2	-
Quilter plc Sharesave Plan[3]	-	-	✓	✓	-	$3^{1/2}$ - 5^{1}	3 & 5	-
Old Mutual Wealth Joint Share Ownership Plan - Jointly Owned/Restricted Shares[4]	✓	-	-	✓	✓	3	3	-
Old Mutual Wealth Phantom Share Reward Plan - Conditional Shares[5]	-	✓	-	-	✓	Typically 3	3	-
Old Mutual plc Managed Separation Incentive Plan - Share Options (Nil cost options)	-	-	✓	-	✓	Up to 10	-	Targets in respect of Managed Separation completion

[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.

[4]The Joint Share Ownership Plan ('JSOP') was implemented for certain key employees of Quilter Business Services in 2013, with the final grant 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 employee benefit trust ('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.

24 SHARE BASED PAYMENTS (continued)

Reconciliation of movements in options

The movement in the 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 the year	1,748,275	£0.00	4,163,377	£1.60
Granted during the year	9,198,620	£0.86	2,103,447	£0.00
Forfeited during the year	(406,656)	£0.30	(1,295,108)	£1.60
Exercised during the year	(45,716)	£0.01	(3,104,114)	£1.60
Expired during the year	(39,120)	£1.25	(3,580)	£1.60
Cancelled during the year	(191,568)	£1.25	(115,747)	£1.60
Outstanding at end of the year	10,263,835	£0.70	1,748,275	£0.00

The weighted average fair value of options at the measurement date, for options granted during the year ended 31 December 2019 is £0.56, 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 2.5 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 2.7 years.

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

24 SHARE BASED PAYMENTS (continued)

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.

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 the 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	29.3%	2.75	0.6%	0.0%	4%
Quilter plc Performance Share Plan - Conditional Shares	1.39	0.00	29.3%	3.00	0.6%	0.0%	4%
Quilter plc Performance Reward Plan - Conditional Shares	1.39	0.00	29.3%	2.04	0.6%	0.0%	4%
Quilter plc Sharesave Plan	1.42	1.25	28.1%	3.65	0.8%	3.0%	10%

Share grants
The 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	2,287,286	£1.39	1,402,543	£1.52
Quilter plc Share reward Plan - Conditional Shares	4,167,275	£1.39	-	-
Quilter plc Share Incentive Plan - Restricted Shares	-	-	2,597,125	£1.53
Old Mutual Wealth Platform Share Reward Plan - Conditional Shares	-	-	2,983,224	£1.52

Financial impact
The total expense recognised for the year arising from equity compensation

	Year ended 31 December 2019	Year ended 31 December 2018
Total expense arising from equity-settled share and share option plans	£11,026	£13,148

25 CONTINGENT LIABILITIES

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

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

26 RELATED PARTY TRANSACTIONS

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

	2019	2018
	£'000	£'000
Fellow group undertakings - purchase of services	9,798	15,240
Fellow subsidiaries - management services rendered	377,425	376,548

The company provides management and administrative services to the Quilter plc group. Management fees are charged at a mark up except to former subsidiary undertaking Old Mutual Wealth Life Assurance Limited and fellow subsidiary undertaking Old Mutual Wealth Life & Pensions Limited, where fees are charged at cost.

Amounts due from or to fellow subsidiary undertakings at the reporting date are included in notes 15 and 21 respectively.

Amounts due from or to the parent company at the reporting date are included in notes 15 and 21 respectively.

Details of transactions with key management personnel are provided in note 7.

The Quilter plc group's products are available to the directors and staff of the company on preferential staff terms. The impact of this on the financial statements is immaterial.

27 EVENTS AFTER THE REPORTING DATE

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

28 ULTIMATE PARENT COMPANY

The company’s immediate parent company is Quilter plc, a company registered in England and Wales.

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

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