ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 December 2019

QUILTER CHEVIOT HOLDINGS LIMITED

Registered in England and Wales No. 08257448

QUILTER CHEVIOT HOLDINGS LIMITED

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QUILTER CHEVIOT HOLDINGS LIMITED

COMPANY INFORMATION

Directors	P P Barnacle A I McGlone
Secretary	Quilter CoSec Services Limited
Auditors	KPMG LLP 15 Canada Square London E14 5GL
Registered office	One Kingsway London WC2B 6AN Telephone: 020 7150 4000 Website: www.quiltercheviot.com Registered number: 08257448

QUILTER CHEVIOT HOLDINGS LIMITED

STRATEGIC REPORT

The Directors present their strategic report for Quilter Cheviot Holdings Limited (the “Company”), for the year ended 31 December 2019.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of the Company is to act as an intermediate holding company.

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

Quilter plc 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 necessarily 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.

There have not been any significant changes in the Company's principal activity in the year under review and no significant change in the Company's principal activity is expected.

The profit for the year, after tax, was £36,000,000 (2018: £45,000,000).

Financial position
Net assets of £198,126,000 at 31 December 2019 were the same as at 31 December 2018.

PRINCIPAL RISKS

The Directors recognise the importance of a robust risk management framework and as such the Company maintains a strong compliance and risk management culture which operates within the three lines of defence model. This ensures a transparent, consistent and comprehensive governance framework for the management of risk faced by the business. Key risks are reviewed formally by the Board annually.

Market risk
Market risk is the risk to a company's financial condition resulting from adverse movements in market variables. This includes traded risks covering general (systematic) market risk and specific risk. By asset type definition, market risks include interest rates, credit spreads, equities, foreign-exchange and commodity risks.

STRATEGIC REPORT (continued)

Credit risk
Credit risk refers to the risk of loss arising from borrower or counterparty default when a borrower, counterparty or obligor does not meet its obligations.

The Company manages credit risk exposure by ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit and escalating risk concentrations to appropriate senior management.

Liquidity risk
Liquidity is the amount of cash and cash equivalents available at any given time to meet future funding requirements. Liquidity risk is the risk that the Company is unable to meet its funding obligations in a timely manner. Failure to adequately manage liquidity risk can be costly and could also lead to insolvency.

Risks associated with Brexit
Due to the size and importance of the UK economy in the global economy, particularly with respect to the UK financial services market, as well as the uncertainty and unpredictability concerning the UK's legal, political, financial and economic relationship with the European Union ("EU") after Brexit, there may continue to be instability in the national and international financial markets, significant currency fluctuations and otherwise adverse effects on consumer confidence for the foreseeable future, including beyond the date of the UK's withdrawal from the EU.

SECTION 172 (1) STATEMENT

The Company is a wholly-owned subsidiary of Quilter plc and therefore complies with the strategy, policies and practices that are set by the Quilter plc Board and are described in the Quilter plc Annual Report. This 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. Presentations have been made by the Quilter Corporate Secretariat to the business to explain the importance of the considerations referred to in section 172 (1) as part of good decision making, to ensure that proposals coming to the Board contain appropriate information on the potential impact of business decisions on all of Quilter Cheviot'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.

The Directors of Quilter Cheviot Limited, the Company's wholly-owned subsidiary, are responsible for the oversight and management of the Quilter Cheviot business and details of how they have discharged their duties under section 172 (1) of the Companies Act 2006 are set out in the Quilter Cheviot Limited Annual Report.

Approved by the Board and signed on its behalf by

P P Barnacle
Director
4 March 2020

QUILTER CHEVIOT HOLDINGS LIMITED

DIRECTORS' REPORT

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

The review of the business, including future outlook and principal risks and uncertainties are set out in the strategic report.

DIRECTORS

The names of the current Directors are listed on page 1. The Directors who held office during the year are:

P P Barnacle	(appointed 21 November 2019)
M I Macleod	(resigned 21 November 2019)
A I McGlone	
M O Satchel	(resigned 13 March 2019)

The Company Secretary during the period was Quilter CoSec Services Limited (formerly named OMW CoSec Services Limited).

DIRECTORS' THIRD PARTY INDEMNITY PROVISIONS

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

POLITICAL DONATIONS

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

DIVIDENDS

During the year dividends of £36,000,000 were paid to the holders of the ordinary shares (2018: £45,000,000).

STATEMENT OF GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 14 and 15 to the financial statements describe the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Company has adequate financial resources. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the Company are disclosed in note 14.

AUDITOR

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

Statement as to disclosure of information to the auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by

P P Barnacle
Director
4 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 ("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:

(a) select suitable accounting policies and then apply them consistently;
(b) make judgement and estimates that are reasonable, relevant and reliable;
(c) state whether they have been prepared in accordance with IFRSs as adopted by the EU;
(d) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
(e) 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 controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUILTER CHEVIOT HOLDINGS LIMITED

Opinion

We have audited the financial statements of Quilter Cheviot Holdings Limited (the "Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the related notes 1 to 17, including a summary of significant accounting policies in note 3.

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 the Company's 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 Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

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

Other matter - The impact of uncertainties due to Britain exiting the European Union on our a

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUILTER CHEVIOT HOLDINGS LIMITED (continued)

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, 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.

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.

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 controls 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.

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

5 March 2020

QUILTER CHEVIOT HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net gains from investment in subsidiary	8	36,000	45,000
PROFIT BEFORE INCOME TAX		36,000	45,000
Income tax expense	6	-	-
PROFIT FOR THE YEAR		36,000	45,000
Other comprehensive income	7	-	(1,418)
TOTAL COMPREHENSIVE INCOME		36,000	43,582

All operations were continuing in the current and prior year.

The notes on pages 14 to 28 form an integral part of the financial statements.

QUILTER CHEVIOT HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

2019	**Note**	**Share capital £'000**	**Share premium £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2019		44,513	146,258	7,355	198,126
Profit for the year		-	-	36,000	36,000
Other comprehensive					
Total comprehensive income		-	-	36,000	36,000
Transactions with owners:					
- Dividends to equity holders of the Company	11	-	-	(36,000)	(36,000)
Balance at 31 December 2019	10	44,513	146,258	7,355	198,126

2018					
Balance at 1 January 2018		44,513	146,258	17,543	208,314
Profit for the year		-	-	45,000	45,000
Other comprehensive					
- Gains on equity investments	7	-	-	(1,418)	(1,418)
Total comprehensive income		-	-	43,582	43,582
Transactions with owners:					
- Dividends to equity holders of the Company	11	-	-	(45,000)	(45,000)
- Shares vested within equity	7	-	-	(3,520)	(3,520)
- Transfers to other Group entities	7	-	-	(5,250)	(5,250)
Balance at 31 December 2018	10	44,513	146,258	7,355	198,126

The notes on pages 14 to 28 form an integral part of the financial statements.

QUILTER CHEVIOT HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Cash and cash equivalents	12	100	100
Investments in subsidiaries	8	198,026	198,026
TOTAL ASSETS		198,126	198,126
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	10	44,513	44,513
Share premium	10	146,258	146,258
Retained earnings		7,355	7,355
TOTAL EQUITY		198,126	198,126
TOTAL LIABILITIES AND EQUITY		198,126	198,126

The notes on pages 14 to 28 form an integral part of the financial statements.

These financial statements were approved by the Board and authorised for issue on 4 March 2020.

Signed on behalf of the Board

P P Barnacle
Director

Company Registered Number: 08257448

QUILTER CHEVIOT HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		-	-
INVESTING ACTIVITIES			
Proceeds from the sale of equity investments	7	-	4,252
Transfer of cash to other group entites		-	(4,152)
Dividends received	8	36,000	45,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		36,000	45,100
FINANCING ACTIVITIES			
Dividends paid to equity holders of the Company	11	(36,000)	(45,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(36,000)	(45,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	100
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		100	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	100	100

The notes on pages 14 to 28 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

1. GENERAL INFORMATION

Quilter Cheviot Holdings Limited is a limited company registered in England & Wales. The address of its registered office is disclosed in the company information section on page 1. The principal activity of the Company is disclosed in the strategic report.

2. BASIS OF PREPARATION

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The results of the Company and its subsidiaries are included within the consolidated financial statements of Quilter plc, a company registered in England and Wales.

Statement of compliance

The Company has prepared its annual financial statements in accordance with IFRSs issued by the International Accounting Standards Board ("IASB") as adopted by the EU, Interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the Companies Act 2006. The primary financial statements in this document are presented in accordance with IAS 1 *'Presentation of financial statements'*.

Standards, amendments to standards, and interpretations adopted in these financial statements

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

Other standards:

In addition to IFRIC 23, the following amendments to the accounting standards, issued by the IASB and endorsed by the EU, have been adopted by the Company from 1 January 2019, with no impact on the Company's results, financial position or disclosures:

- Annual improvements to IFRSs 2015-2017 cycle - Amendments to IAS 12 *'Income taxes'*

Future standards, amendments to standards, and interpretations not early-adopted in these financial statements

At the date of authorisation of these financial statements, there were no standards and interpretations relevant to the Company's operations that were issued by the IASB that are mandatory for the Company's annual accounting periods beginning after 1 January 2020.

Basis of measurement

The financial statements of the Company are prepared under the historical cost convention, except for certain financial instruments that are measured at fair value.

The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of the business and Principal risks sections of the strategic report on pages 2 to 3. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors believe that the Company has sufficient capital and sufficient liquidity to meet its liabilities as they fall due and have therefore continued to adopt the going concern basis for preparation of the financial statements. There are no future plans to change the way the business is run.

Use of estimates and sources of uncertainty

The preparation of financial statements in conformity with IFRS, requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional currency

Items included in the financial statements are measured and presented in pounds sterling, the currency of the primary economic environment in which the Company operates.

All currency amounts in the financial statements and strategic report are rounded to the nearest thousand pounds sterling.

b. Financial instruments

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

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.

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

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 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 three are applicable to the Company: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Equity investments at FVOCI	These financial assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Financial assets at FVOCI
On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

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

The Company's interests in pooled investment funds, equity securities and debt securities are mandatorily at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the income statement.

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

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 all cash and cash equivalents, other than money market collective investment funds which are measured at fair value, 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. Financial liabilities are measured at amortised cost using the effective interest method.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost (not currently applicable to the Company) 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.

c. Fair value of financial instruments

Fair value measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

d. Fair value hierarchy

Fair values are determined according to the following hierarchy.

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 - quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds, reinsurance share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 - valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices. Certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors.
Level 3 - valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and debt securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid / offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value for determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an "arm's-length" transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

e. Taxation

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. 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.

4. OTHER EXPENSE

Audit fees of £9,500 (2018: £9,500) have been borne by a subsidiary company, Quilter Cheviot Limited. No fees were paid to KPMG LLP or their affiliates for non-audit services in both the current or prior year.

The Company employed no staff during the year (2018: None).

5. DIRECTORS' REMUNERATION

The Directors did not receive any remuneration for their services to the Company during the year (2018: £nil). The below is the remuneration the Directors have received for the services they provide to the subsidiary undertakings.

	2019 £'000	**2018 £'000**
Total emoluments of all directors:		
Aggregate emoluments	980	1,289
Amounts received under long-term incentive schemes	497	845
Contributions to pension scheme	11	10
	1,488	2,144

5. DIRECTORS' REMUNERATION (continued)

Disclosures in respect of the highest paid director:		
Aggregate emoluments	529	807
Amounts received under long-term incentive schemes	282	645
Contributions to pension scheme	10	10
	821	1,462

Directors' emoluments have been calculated as the sum of cash, bonuses, and benefits in kind.

The value of assets awarded under long-term incentive schemes has been included in the above disclosures when the awards are granted.

Four Directors, including the highest paid Director, received or were due to receive shares or share options under long-term incentive schemes (2018: five). One Directors (2018: two) 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.

As at 31 December 2019, there were two Directors to whom retirement benefits were accruing under a money purchase scheme (2018: three).

6. INCOME TAX EXPENSE

Current tax expense	**2019 £'000**	**2018 £'000**
Current year	-	-
Income tax expense	-	-

Reconciliation of effective tax rate

The current year income tax expense is lower than that resulting from applying the average standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The main differences are explained below:

	2019 £'000	**2018 £'000**
Profit before income tax	36,000	45,000
Income tax using the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	6,840	8,550
Impact on tax of:		
Dividends received non taxable	(6,840)	(8,550)
Current tax expense in the statement of comprehensive income	-	-

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

7. EQUITY INVESTMENTS

The Company is the principal company of the Quilter Cheviot Employee Benefit Trust ("EBT"). As a result, the shares held in the Quilter Cheviot EBT are classified as equity investments in the Company's financial statements. Equity investments represent the cost of shares issued by the ultimate parent, that are held in the EBT to satisfy future awards under the Group's share based payment schemes.

Financial assets that are categorised as equity investments are summarised in the table below:

	Number of shares
Old Mutual plc shares of £0.11$^{3/7}$ per share	4,440,175

Fair value	**2018 £'000**
At 1 January	10,288
Fair value recognised in other comprehensive income	(709)
Shares vested 3 April 2018 (793,338 Old Mutual plc shares)	(1,886)
At 25 June 2018	**7,693**

On 25 June 2018, all Old Mutual plc shares in the Quilter Cheviot EBT were converted to 3,647,837 Old Mutual Limited shares and 1,215,945 Quilter plc shares.

Fair value	**2018 £'000**
At 25 June 2018	7,693
Shares vested 25 June 2018 (792,637 Old Mutual Limited and 264,189 Quilter plc shares)	(1,634)
Shares sold 30 June 2018 (2,855,200 Old Mutual Limited shares)	(4,252)
Fair value recognised in other comprehensive income	(709)
Transfer of 951,756 shares to Quilter EBT	(1,098)
At 31 December 2018	**-**
At 31 December 2019	**-**

Financial assets classified as equity investments are measured using market observable inputs (Level 1) as described in note 3d.

On 24 December 2018, all remaining shares held in the Quilter Cheviot EBT were transferred to the Quilter EBT, another employee benefit trust within the Group.

8. INVESTMENTS IN SUBSIDIARIES

The movement in the Company's investments in its subsidiaries is as follows:

	2019 £'000	**2018 £'000**
Cost and net book value		
At 1 January	198,026	198,026
Additions	-	-
At 31 December	198,026	198,026

No impairment provisions were made against investments during the year, and therefore, cost of investments is equal to net book value.

Dividend income of £36,000,000 from Quilter Cheviot Limited, (2018: £45,000,000) was recognised during the year.

8. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the investments in subsidiaries of the Company at 31 December 2019 are as follows:

Name of Company	Registered office	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights held	Nature of business
Cheviot Capital (Nominees) Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100% *	100% *	Nominee
C.I.P.M. Nominees Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100% *	100% *	Nominee
Pembroke Quilter (Ireland) Nominees Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	Ordinary	100% *	100% *	Nominee
QGCI Nominees Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100% *	100% *	Nominee
Quilter Cheviot Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100%	100%	Financial services
Quilter Cheviot Europe Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	Ordinary	100% *	100% *	Financial services
Quilter Cheviot International Limited	3rd Floor Windward House La Route de la St Helier JE1 1QJ	Jersey	Ordinary	100% *	100% *	Dormant
Quilter Nominees Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100% *	100% *	Nominee
Quilpep Nominees Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100% *	100% *	Nominee
Violet No.2 Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100% *	100% *	Dormant

An * denotes shareholdings attributed to the Company which are held by a subsidiary company, Quilter Cheviot Limited, and not held directly by the Company.

9. CONTINGENT LIABILITIES

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

10. EQUITY

Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
4,451,268,080 (2018: 4,451,268,080) ordinary shares of £0.01 each	44,513	44,513

Nil (2018: Nil) ordinary shares were issued during the year for cash consideration.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Reserves

Share premium reserve
The share premium recorded at 31 December 2019 of £146,258,327 (2018: £146,258,327) represents the excess value over share capital acquired of the 151,268,080 ordinary shares of £149,755,300, reduced by the costs associated with the issuance of equity of £3,496,973. No share premium was issued during 2019.

11. DIVIDENDS

The following amounts represent the interim dividends paid in the current and prior year:

	2019 Per share £	2019 Total £'000	2018 Per share £	2018 Total £'000
Dividends on ordinary shares - interim	0.0081	36,000	0.0101	45,000

12. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances, which have less than three months maturity from the date of acquisition:

	2019 £'000	2018 £'000
Cash at bank	100	100

13. EXPECTED MATURITY OF ASSETS

The Company's financial assets expected maturity dates are disclosed in note 14.

None of the Company’s non-financial assets are expected to be recovered more than twelve months after the reporting period (2018: none).

14. FINANCIAL RISK MANAGEMENT

Risk is an inherent part of the Company's business activities. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. A key component of our approach to capital management is to ensure that the Company's policies are aligned with the Group's overall strategy, business plans and risk appetite. The Group's Capital Management Forum ("CMF") reviews the capital position of each of the regulated businesses on a monthly basis.

The key focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its operations. The material components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

Credit risk

Overall exposure to credit risk
Credit 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. This includes counterparty default risk, counterparty concentration risk and spread risk.

The Group has established a credit risk framework that includes a Credit Risk Policy, Credit Risk Standard and Credit Risk Appetite Statement. This framework applies to all activities where the shareholder is exposed to credit risk, either directly or indirectly, ensuring appropriate identification, measurement, management, monitoring and reporting of the Group's credit risk exposures.

The credit risk arising from all exposures is mitigated through ensuring the Company only enters into relationships with appropriately robust counterparties, adhering to the Group Credit Risk Policy. For each asset, consideration is given as to:

- The credit rating of the counterparty, which is used to derive the probability of default;
- The loss given default;
- The potential recovery which may be made in the event of default;
- The extent of any collateral that the firm has in respect of the exposures; and
- Any second order risks that may arise where the firm has collateral against the credit risk exposure.

The credit risk exposures of the Company are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2018, the Company's material credit exposures were to financial institutions (primarily through the investment of shareholder funds) and corporate entities (including external fund managers and reinsurers).

There is no direct exposure to European sovereign debt (outside of the UK) within the shareholder investments.

Investment of shareholder funds
The risk of counterparty default in respect of the investment of shareholder funds is managed through:

- Setting minimum credit rating requirements for counterparties;
- Setting limits and early warning indicators for individual counterparties and counterparty concentrations;
- Monitoring exposures regularly against approved limits; and
- Reviewing counterparties and associated limits on at least an annual basis.

Impact of credit risk on fair value
Due to the limited exposure that the Company has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are mainly due to changes in market conditions.

Collateral and other credit enhancements
The amount and type of collateral required by the Company depends on an assessment of the credit risk of the counterparty. Collateral held is managed in accordance with the Company's guidelines and the relevant underlying agreements. The market value of securities received as collateral is monitored on a daily basis and securities received as collateral generally are not recognised on the statement of financial position.

14. FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk
The table below represents the Company's maximum exposure to credit risk. The Company's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements. Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Company would have to pay, which may be significantly greater than the amount that would be recognised as a liability.

The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

Credit rating relating to financial assets that are neither past due nor impaired

At 31 December 2019	**A £'000**	**Carrying value £'000**
Assets subject to lifetime ECL		
Cash and cash equivalents	100	100
	100	100

At 31 December 2018	**BBB £'000**	**Carrying value £'000**
Assets subject to lifetime ECL		
Cash and cash equivalents	100	100
	100	100

Financial assets either past due or impaired

- *Ageing analysis: Financial assets past due but not impaired*

At 31 December 2019 there were no financial assets past due but not impaired (2018: None).

- *Financial assets individually impaired*

At 31 December 2019 there were no financial assets individually impaired (2018: None).

The main considerations for the impairment assessment include whether there are any known issues in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company determines the allowance appropriate for each individually significant asset on an individual basis. Items considered when determining the allowance amount include the sustainability of the counterparty's business plan, the counterparty's ability to improve performance once a financial issue has arisen, the realisable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated at least at each reporting date. The fair value of collateral held by the Company in respect of 'Financial assets individually impaired' at 31 December 2019 was £nil (2018: £nil).

Market risk

Market risk is the risk of a financial impact to earnings or value arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates, each of which is detailed in the notes below.

The Company has a market risk policy which set out the risk management framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. Governance and monitoring processes provide oversight of the management of market risk by the individual businesses.

The Company enters into all of its financial asset transactions with other Group companies, where both the Company and the other Group companies are wholly-owned subsidiaries of the same ultimate parent entity, Quilter plc.

14. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due or that market conditions preclude the ability of the firm to trade in illiquid assets. The Company manages liquidity through:

i. Maintaining adequate high quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
ii. Continuously monitoring forecast and actual cash flows; and;
iii. Through mathcing the maturity profiles of financial assets and liabilities, where possible.

The Company maintains and manages the liquidity requirements according to the business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy, Group Liquidity Risk Standard and Group Liquidity Risk Appetite Statement.. The Group framework is applied to identify, manage, measure, monitor and report on all liquidity risks that have a material impact on liquidity levels. This framework considers both short-term liquidity and cash management considerations and longer-term funding risk considerations.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of severe liquidity stresses. Contingency Funding Plans are in place for each individual business in order to identify a comprehensive list of contingent funding sources and the order and speed in which they could be utilised in a stress scenario. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Maturity analysis
In the following maturity analysis of financial assets and financial liabilities, amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2019. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from those financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

31 December 2019	**On demand £'000**	**Less than one month £'000**	**Equal to or more than 1 month but less than 1 year £'000**	**Equal to or more than 1 year but less than 5 years £'000**	**Equal to or more than 5 years £'000**	**Total £'000**
Financial assets						
Cash and cash equivalents	100	-	-	-	-	100
Total financial assets	100	-	-	-	-	100

31 December 2018	**On demand £'000**	**Less than one month £'000**	**Equal to or more than 1 month but less than 1 year £'000**	**Equal to or more than 1 year but less than 5 years £'000**	**Equal to or more than 5 years £'000**	**Total £'000**
Financial assets						
Cash and cash equivalents	100	-	-	-	-	100
Total financial assets	100	-	-	-	-	100

15. CAPITAL MANAGEMENT

The Company manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Company's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Company ensures that it can meet its expected capital and financing needs at all times having regard to the Company's business plans, forecasts and strategic initiatives and regulatory requirements. The Company's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

- Maintain sufficient, but not excessive, financial strength to support stakeholder requirements
- Retain financial flexibility by maintaining liquidity unutilised committed credit lines

The primary sources of capital used by the Company are equity shareholders' funds. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

The Company manages the following items as capital:

	2019 £'000	2018 £'000
Ordinary share capital	44,513	44,513
Share premium	146,258	146,258
Reserves	7,355	7,355
	198,126	198,126

16. RELATED PARTY DISCLOSURES

Parent and subsidiary relationships

Parent and ultimate controlling entity

The Company’s immediate parent undertaking is Old Mutual Wealth Holdings Limited, a company registered in Engalnd and Wales.

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Quilter plc. Quilter plc is registered in England and Wales and copies of its financial statements can be obtained from the Company Secretary, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.

Key management compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel includes the Board of Directors of the Company.

Due to the nature of the Company’s activities, key management personnel provide minimal services specific to the Company and as a result no compensation is paid to key management personnel in respect of their services to the Company.

Transactions with related parties

The Company enters into transactions with other Group undertakings on an arm's length basis for the purposes of utilising financing and infrastructure services. On 24 December 2018, all remaining shares held in the Quilter Cheviot EBT were transferred to the Quilter EBT, another employee benefit trust within the Group (note 7).

16. RELATED PARTY DISCLOSURES (continued)

The nature of these relationships along with information about the transactions and outstanding balances is given below.

	2019 £'000	2018 £'000
Transactions with subsidiaries:		
Dividend income received	36,000	45,000
	36,000	45,000

	2019 £'000	2018 £'000
Transactions with parent company:		
Dividend payment	36,000	45,000
	36,000	45,000

17. 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.