ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2020

Quilter Investors Limited

Registered in England & Wales No. 04227837

CONTENTS

COMPANY INFORMATION

Executive Directors	P R Simpson D A Bowden (Managing Director, appointed 09 March 2020)
Non-executive Directors	R S Skelt (appointed 01 March 2020) S K Fromson (appointed 01 August 2020) T J Breedon (appointed 01 September 2020)
Secretary	Quilter CoSec Services Limited
Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8BP Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5RB Citibank Europe Plc 33 Canada Square Canary Wharf London E14 5LB KBC Bank NV Sandwich Street Dublin 2 Ireland
Independent Auditors	PricewaterhouseCoopers LLP Statutory Auditors and Chartered Accountants 7 More London Riverside London SE1 2RT
Registered office	Senator House 85 Queen Victoria Street London EC4V 4AB Telephone: +44(0)20 7167 3500 Website: www.quilterinvestors.com Registered in England and Wales No. 04227837

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2020.

Review of the business and principal activities

The principal activity of Quilter Investors Limited ("**Quilter Investors**" or the "**Company**"), is to provide multi-asset investment solutions, offering a broad range of solutions for its customers' accumulation and decumulation needs.

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

The Company is an authorised investment fund manager ("**AIFM**") and authorised corporate director ("**ACD**") for a range of UCITS and non-UCITS managed funds. The Company is committed to the objectives of the wider Quilter plc business and pursues these objectives through delivery of strong investment returns and innovative investment solutions within the UK. The Company's multi-asset investment portfolios are diversified across international markets and a wide range of asset classes and aim to provide full-service solutions for capital growth and income for retail customers, made available through Quilter distribution channels and direct retail investment platforms.

Quilter Investors is a modern, scalable, institutional class asset manager with £22.4 billion of assets under management as at 31 December 2020 (2019: £20.8 billion). It is established as the manufacturer at the heart of the Quilter business, and its agreed purpose includes acting as ACD and investment manager for funds and the WealthSelect Managed Portfolio Service, asset allocation and investment support to all Quilter businesses.

Investment performance of the core solutions remains strong and the ranges continue to deliver the outcomes our clients and advisers expect. Quilter Investors will continue to develop our core product offering and rationalize legacy solutions in 2021 to ensure we continue to provide clients with the best possible wealth management solutions through the Group's distribution channels.

Financial performance was resilient over the period despite the market wide challenges presented by COVID-19, and positive operational leverage is starting to come through due to focused expense management. Net inflows to Quilter Investors were down 40% on the prior year at £0.3 billion (2019: £0.5 billion), driven by a decrease in flows from Quilter Financial Planning as the pandemic environment presented advisers with less opportunity to attract new business. As anticipated, normalised revenue margin has decreased over the period in line with expectations due to the change in product mix as customers continue to switch from Cirilium Active to lower margin Cirilium Blend and Cirilium Passive solutions. The Company recognises margin compression risk going forward due to competitive fee pressure and the industry trending towards lower margins and passive solutions.

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. The unbundled, open nature of Quilter's model, offering flexibility to use one, two or all three components, is a key competitive advantage, provides customers and their advisers with choice at every stage and imposes external market discipline on the Group's propositions. 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, investment solutions should be simply packaged, that award-winning service and measurable outcomes for our customers should always offer good value, and that a company's purpose goes beyond making a profit and should focus also on being a responsible business as well as a responsible investor. 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. Quilter's strategic objectives include delivering on customer outcomes, advice and wealth management growth, wealth platforms growth, and optimisation.

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 management ("**AuM**"), as experienced in 2020 with the adverse impact of COVID-19 on equity market levels but the Group operates in a large and fragmented market that has good long-term growth potential.

Political developments and Brexit

The Company acknowledges the risk that Brexit, other political developments or developments otherwise affecting market confidence may result in outflows of assets from investment portfolios with exposure to the UK, which could include asset portfolios managed by the Company. 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 on 31 December 2020. The Company acknowledges the risks associated with Brexit, and alongside the parent company is actively monitoring key risks through contingency planning. The agreement of the UK-EU Trade and Cooperation Agreement has reduced the geopolitical risk profile and should lessen investor concerns, although the full impacts of the end of the Brexit transition agreement are yet to be seen.

There is also potential for income, wealth and corporation tax rises needed to restore public finances following the pandemic. For example, changes to pension tax relief for high earners and other tax changes affecting customer wealth could impact Quilter's net client cash flow ("**NCCF**") and AuM. NCCF is the difference between money received from and returned to customers during the relevant period.

Quilter's principal revenue streams, including the Company's, are asset-value related and as such the Group and Company are exposed to the condition of global economic markets. The evolving COVID-19 pandemic and its fourth quarter 2020 acceleration continue to have significant impacts on economic activity, which is expected to continue into 2021, alongside residual uncertainty in relation to the full impacts of the aforementioned end of the Brexit transition period. Volatility in debt, equity and currency markets may adversely impact customer investment portfolios which in turn impacts the Company's ability to generate fee-based revenue.

STRATEGIC REPORT (continued)

Key Performance Indicators ("KPIs")
The table below shows the key performance indicators the Company uses to manage its business performance.

Total assets under management increased during the year to £22.4 billion (2019: £20.8 billion.). Aggregate net client cash inflows for multi-asset funds were £0.3 billion (2019: £0.5 billion). Commission and rebates payable continue to decrease in line with the industry move to clean, non-rebate paying share classes following the Retail Distribution Review. Profit for the year decreased to £61,429,000 in 2020 (2019: £66,138,000) predominantly due to a reduction in the fee income in the first half of 2020 as assets under management levels were lower due to the impact of COVID-19, offset by a reduction in expenses.

Key performance indicators table	2020 £'000	2019 £'000
Management fee income[1]	173,774	210,131
Administration expenses[2]	(67,573)	(97,774)[3]
Profit for the year	61,429	66,138
Net assets	76,998	85,424
Cash and cash equivalents	106,772	117,626
Net client cash flow (NCCF)	314,562	544,917
Market value of assets under management	22,411,582	20,821,518
Average number of employees	106	93

Statement of going concern
The use of the going concern basis of accounting is considered appropriate, reflecting the future expected profitability. An assessment of the impact of COVID-19 on the going concern of the Company has been completed, concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months. There are no material uncertainties, related events or conditions that may cast significant doubt over the ability of the Company to meet its liabilities as they fall due, for at least 12 months from the date of approving these financial statements.

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.

Credit risk
Credit risk refers to the risk of loss arising from the 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 and escalating risk concentrations to appropriate senior management.

Liquidity risk
Liquidity risk 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.

[1] Management fee income in 2019 included income from Merian Global Investors (UK) Limited ("**Merian**") for three months, with no Merian related income received from April 2019 as the Company ceased to be ACD for the funds within Merian. Merian was previously part of the Quilter Group but was sold in June 2018.
[2] Administration expenses in 2019 included income from Merian for three months only, with no Merian related expenses incurred from April 2019.
3 The amount in the prior year was incorrectly recorded as £(97,235,000) and should be £(97,774,000).

STRATEGIC REPORT (continued)

The Company has created a liquidity risk management framework, based on the regulatory requirements of BIPRU, which is designed to ensure that the Company maintains sufficient liquidity to be able to continue to fund its ongoing business and to meet all its financial obligations maturing within a one-year period. In the event that the Company believes that this will not be achieved, the Company will implement mitigating activities pursuant to liquidity crisis planning guidelines.

Operational risk

Operational risk refers to the risk of financial or other loss, or damage to the Company's reputation, resulting from inadequate or failed internal processes, people, resources, systems or from other internal or external events (e.g. internal or external fraud).

The Company has established an operational risk management process which operates to identify, measure, monitor and control risk. Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal, regulatory and reputational risks.

Market risk

Market risk is the risk to the Company's financial condition resulting from adverse movements in market variables. This includes traded risks covering general (systematic) market risk and specific risk.

The Group has established a market risk policy which sets out the market risk management governance framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements.

Further details of the risk management objectives and policies of the Company are disclosed in Note 3.

Section 172 (1) Statement

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

The 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. Quilter Corporate Secretariat engage with management 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 stakeholders of the Company and other relevant matters. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties to ensure that section 172 (1) considerations remain at the heart of the Group's decision-making at all levels.

In overseeing the business of the Company during the year, the Board of the Company has paid due regard to its duty to promote the success of the Company for the benefit of Quilter plc, its sole shareholder, in the long term, by supporting the delivery of the Group's strategic priorities. Improving the investment process and the performance of certain active investment funds, in order to support the successful delivery of good outcomes and strong investment returns for Quilter's customers, has been an important area of focus for the Board. During the year under review, the Board established an Investment Oversight Committee (the "**Committee**"), comprising all independent Non-executive Directors, in order to strengthen the governance around the oversight of the investment processes and outcomes across the fund and portfolio ranges. To that end, the Committee has closely monitored investment performance, particularly how the market downturn caused by COVID-19 impacted returns for investors and the progress made by management against the agreed actions to address recent performance volatility in some parts of the fund range. Those actions appear to be having the desired effect, but the Committee will continue to monitor this area closely. The Committee has also spent time tracking the progress of key product change initiatives designed to enhance customer outcomes and to meet the expectations of our investors and regulators in respect of environmental, social and governance-related solutions.

STRATEGIC REPORT (continued)

The effects of COVID-19 on the business and its stakeholders and the Company's response to extended remote working have been continually monitored by the Board since the onset of the pandemic. Key focus areas have included:

- a review of the business' risk and control self-assessments, to identify any changes to the Company's risk profile driven by remote working and increased market volatility;
- monitoring operational resilience, particularly the stability and security of the remote working environment, given the heightened risks associated with reliance on electronic communications, digital sign-off procedures and potentially lower security of home working practices;
- the action taken by management to support the safety and welfare of staff throughout the remote-working period;
- the support provided to advisers and clients throughout the period of market volatility; and
- the performance of the business' critical outsourced service providers, to ensure that they continued to provide high service levels in a challenging environment.

Fostering the Company's relationships with its suppliers is an important consideration for the Board in light of the Company's material outsourcing arrangements. To support this, representatives from the Company's critical suppliers are invited to attend Board meetings on a regular basis to enable direct engagement at Board-level.

A key decision for the Board during the year was the approval of the Company's first Assessment of Value publications, which demonstrate the value that Quilter Investors fund ranges provide to investors. The Board dedicated time to reviewing and challenging the framework within which the assessment was conducted and the final publication documents, in order to ensure the integrity of the assessment and transparency of reporting to investors.

The Board receives reporting from management on engagement with the Company's regulators and the work performed to ensure that the Company meets their expectations, including regular reporting on compliance with key regulatory requirements around capital and client assets.

The Board reviews the Company's conflicts of interest register at least annually to ensure that management are active in their assessment and mitigation of conflicts in order to protect the interests of Quilter's customers.

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 Section 172 (1) Statement above and in the report and accounts of the Quilter plc annual report, which does not form part of this report.

Streamlined Energy and Carbon Reporting

The Group is committed to managing its environmental impact and supports the Carbon Disclosure Project ('CDC'), a globally recognised initiative for companies to measure, manage, disclose and reduce their environmental impacts. A full explanation of how the Directors have had regard to the impact on the environment is contained within the Quilter plc Annual Report 2020 as per the requirements of Streamlined Energy and Carbon Reporting. The Company is exempt from reporting Company specific information as it is a subsidiary of the Group.

On behalf of the board

P R Simpson
Director
18 March 2021

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2020.

The review of the business and its future development is set out in the strategic report along with a review of the principal risks and uncertainties.

Directors
The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Executive Directors:
P R Simpson
D A Bowden (Managing Director, appointed 09 March 2020)

Non-Executive Directors:
J M Little (resigned 30 September 2020)
C L Turner (resigned 14 May 2020)
R S Skelt (appointed 01 March 2020)
S K Fromson (appointed 01 August 2020)
T J Breedon (appointed 01 September 2020)

The Directors do not hold material shareholdings in Quilter plc.

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 2020 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.

Directors' fees
Details of Directors' fees are provided in note 9.

Dividends
The Company declared and paid an interim dividend of £71m for the year ended 31 December 2020 (2019: £61m). The Directors do not propose a final dividend.

Employees
The average number of persons (including Directors) employed by the Company during the year was 106 (2019: 93).

Political Donations
No political donations were made during the year (2019:nil).

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

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

DIRECTORS' REPORT (continued)

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 Section 172 (1) Statement in the Strategic Report and in the Quilter plc Annual Report 2020, which does not form part of this report.

Climate Change

A key development during the year was the formalization of the Quilter climate change strategy which sets out an approach to measure, manage and reduce the Quilter Group's contribution to climate change both as a business and an investor. Quilter have committed to becoming "net-zero" in its operations, achieved through continued transition to renewable energy sources, reduced travel and the highest standard carbon-offsets where required. Quilter recognises the Financial Stability Board's Taskforce for Climate-related Financial Disclosures ("**TCFD**") as the leading framework for climate-related disclosures and are in the process of aligning fully with the TCFD by the end of 2021.

Investing Responsibly

Quilter has made a commitment to embed responsible investment principles across the business and is a signatory of the UN backed Principles for Responsible Investment ("**PRI**"). In 2020, the Quilter Group achieved an "A" rating for its responsible investment strategy and governance in the PRI's annual assessment. In 2020 we continued our work to integrate environmental, social and governance ("**ESG**") across the businesses. Much of the work here has been brought into sharper focus by the new wave of ESG regulation driven by the EU's Sustainable Finance Action Plan. Much of the work initiated throughout 2020 in response to the changing regulations will come into fruition in 2021, including the systematic integration of ESG factors within the investment management and suitability processes, as well as enhanced disclosures.

Disclosure of information to auditors

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

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

Independent Auditors

PricewaterhouseCoopers LLP has been appointed by the Company in accordance with Section 485 of the Companies Act 2006 for the 2020 financial year and have indicated their willingness to continue in office

On behalf of the board

P R Simpson
Director
18 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and financial statements, in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Independent auditors' report to the members of Quilter Investors Limited

Report on the audit of the financial statements

Opinion

In our opinion, Quilter Investors Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

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 an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that

Independent auditors' report to the members of Quilter Investors Limited (continued)

have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase revenue of the company. Audit procedures performed included:

- Discussions with the Board of Directors and with management (including those involved within the Finance function, Internal Audit, Legal, Risk and Compliance), including consideration of their process for identifying and responding to the risk of fraud, and any known or suspected instances of fraud or non-compliance with laws and regulations both within the company and any associated service organisations;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors;
- Identifying and testing journal entries, including those posted with unexpected account combinations against revenue, large revenue amounts, posted by unexpected persons, and containing unusual account descriptions, where any such journal entries were identified;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Roshni Jones

Roshni Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 March 2021

INCOME STATEMENT
for the year ended 31 December 2020

	Note	2020 £000's	2019 £000's
INCOME			
Fee income	4	173,774	210,131
Change in contract liabilities	5	228	233
Investment return	6	284	736
Other income	7	686	540
TOTAL INCOME		174,972	211,640
EXPENSES			
Commission and rebates paid to introducers	11	(31,166)	(33,365)
Change in contract costs	12	-	(3)
Finance costs		(12)	(1)
Administrative expenses	8	(67,573)	(97,774)
TOTAL EXPENSES		(98,751)	(131,143)
PROFIT BEFORE TAX		76,221	80,497
Taxation	13	(14,792)	(14,359)
PROFIT FOR THE YEAR		61,429	66,138

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

The notes on pages 18 to 43 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	2020 £000's	2019 £000's
PROFIT FOR THE YEAR	61,429	66,138
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
All attributable to equity holders	61,429	66,138

The notes on pages 18 to 43 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Notes	Share capital £000's	Capital contribution £000's	Share-based payments reserve £000's	Retained earnings £000's	Total equity-holder's funds £000's
Balance at 1 January 2019		12,600	1,500	2,354	61,845	78,299
Total comprehensive income		-	-	-	66,138	66,138
Share-based payments	22	-	-	1,225	762	1,987
Dividends paid		-	-	-	(61,000)	(61,000)
Balance at 31 December 2019 and 1 January 2020		12,600	1,500	3,579	67,745	85,424
Total comprehensive income		-	-	-	61,429	61,429
Share-based payments	22	-	-	(1,809)	2,954	1,145
Dividends paid		-	-	-	(71,000)	(71,000)
Balance at 31 December 2020		12,600	1,500	1,770	61,128	76,998

The notes on pages 18 to 43 are an integral part of these financial statements.

Dividend per share was £5.63 in 2020 (2019: £4.84).

STATEMENT OF FINANCIAL POSITION
at 31 December 2020

	Note	2020 £000's	2019 £000's
ASSETS			
Contract costs	12	1	1
Investments in collective investment schemes	14	46	41
Deferred tax assets	15	497	822
Trade and other receivables	16	103,116	108,066
Cash and cash equivalents	17	106,772	117,626
Total assets		210,432	226,556
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	12,600	12,600
Share-based payments reserve	22	1,770	3,579
Capital contribution		1,500	1,500
Retained earnings		61,128	67,745
Total equity attributable to equity holders		76,998	85,424
LIABILITIES			
Contract liabilities	5	121	349
Current tax liabilities		22,330	9,587
Provisions and accruals	19	100	2,842
Trade and other payables	20	110,883	128,354
Total liabilities		133,434	141,132
Total equity and liabilities		210,432	226,556

The notes on pages 18 to 43 are an integral part of these financial statements.

The financial statements on pages 13 to 43 were approved at a meeting of the Board of Directors on 18 March 2021 and signed on its behalf by:

P R Simpson
Director

Company registered number: 04227837

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	2020 £000's	2019 £000's
OPERATING ACTIVITIES		
Profit before tax	76,221	80,497
Non-cash movements in profit before tax	98	(461)
Net changes in working capital	(14,156)	(11,598)
Taxation paid	(2,012)	(11,724)
Total net cash flows from operating activities	60,151	56,714
INVESTING ACTIVITIES		
Net disposals of financial investments	(5)	(12)
Total net cash used in investing activities	(5)	(12)
FINANCING ACTIVITIES		
Dividends paid to ordinary equity holders of the Company	(71,000)	(61,000)
Total net cash used in financing activities	(71,000)	(61,000)
Net decrease in cash and cash equivalents	(10,854)	(4,298)
Cash and cash equivalents at beginning of the year	117,626	121,924
Cash and cash equivalents at end of the year	106,772	117,626

The notes on pages 18 to 43 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

1 GENERAL INFORMATION

Quilter Investors Limited ("**the Company**") is a private company limited by shares, incorporated and domiciled in the United Kingdom ("**UK**"). 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 on page 2.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are of the individual entity, Quilter Investors Limited. The financial statements have been prepared on a going concern basis, on the historical cost basis except for the revaluation of certain financial instruments, which have been prepared in sterling and are rounded into thousands.

The Company's business activities and financial risk management objectives, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 6 and Directors' report on pages 7 to 8.

The Company has adequate liquidity and capital. The Directors perform an annual going concern review that considers, under a stress test scenario, the Company's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

Based on the above assessment of the Company's financial position, liquidity and capital, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Standards, amendments to standards, and interpretations adopted in the 2020 annual financial statements

There have been no new standards or interpretations which became effective 1 January 2020.

Amendments to standards:

The following amendments to the accounting standards, issued by the International Accounting Standards Board ("IASB"), have been adopted by the Group from 1 January 2020 with no material impact on the Company's results, financial positions or disclosures:

- amendments to Reference to the Conceptual Framework in IFRS Standards;
- amendments to IFRS 3 *Business combinations* – Definition of a Business;
- amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors* – Definition of Material;
- amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments:* Disclosures – Interest Rate Benchmark Reform; and
- amendments to IFRS 16 *Leases* – COVID-19 Related Rent Concessions.

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

Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2021. The Company has not early adopted these standards, amendments and interpretations.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The following standards have been issued by the International Accounting Standards Board, and are expected to be either not relevant or not applicable for the Company:

- IFRS 17 *Insurance contracts*

Critical accounting estimates and judgements
Critical accounting estimates are those which involve the most complex or subjective judgements or assessments.

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. Management used its knowledge of current facts and circumstances and applied estimation and assumption setting techniques that were aligned with relevant accounting guidance to make predictions about future actions and events.

The following critical accounting estimates and judgements applied to the prior year:

Area	Critical accounting judgements	Note
Provisions - recognition	In assessing whether a provision should be recognised, the company evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. The company holds a restructuring provision in relation to the build out of the Quilter Investors business.	19

For the current year, there are no assumptions made about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk or resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Measurement
The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which two are applicable within 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.

2 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 investments

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

The Company's interests in pooled investment funds are mandatorily at FVTPL, as they are part of the Company's 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 fair value of quoted financial investments are based on the bid value (within the bid-ask spread) which the Company considers to be the most representative of fair value.

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 at amortised cost, which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of 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, including the Company's borrowings and trade payables, are measured at amortised cost using the effective interest method.

Trade and other payables and Trade and other receivables

Trade and other payables and Trade and other receivables are short-term, non-interest bearing and are stated at their amortised cost which is not materially different to cost and fair value due to their short-term nature.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents (excluding money market collective investment funds which are measured at fair value).

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

Performing financial assets:

Stage 1

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

Stage 2

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

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

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 the ECL model to two main types of assets that are measured at amortised cost:

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inter-company balances are assessed for expected credit loss, but due to the value of cash within the Group, which could be waterfalled around each business, and no historical losses incurred on inter-company balances, no ECL has been recognized on inter-company balances.

No ECL credit losses have been recognised in the current or prior year.

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 exceed 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

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

Provisions
Provisions are calculated on the Company's estimation of the expenditure required to settle an obligation at the statement of financial position date.

Accounting for client transactions
Bank and debtor/creditor balances reflect transfers made between Company and client bank accounts on the day following the reporting date. This reflects the daily update of client accounts which is required to be made within one business day under the UK Financial Conduct Authority ("**FCA**") rules, and gives a clearer presentation of Company bank balances and debtors/creditors represented by client balances as a result of transactions made on the last business day.

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

Fee income
Fees charged for managing investment contracts are recognised as revenue in line with the provision of the investment management services. These services are deemed to be provided equally over the lifetime of a contract.

Contract liabilities/deferred fee income (IFRS 15)
Front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided, is deferred through the creation of a contract liability on the statement of financial position and released to income as the services are provided. The contract liability principally comprises fee income already received in cash.

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

Other income
Other income represents management fees from Quilter Investors Portfolio Management Limited, a fellow subsidiary of Quilter plc, for the provision of management and administrative services provided. Management fees are charged at a mark-up. Management fee income is recognised in the same period the expenditure is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Rebates paid
Rebates paid to introducers or group undertakings are based on agreed rates and vary according to the carrying value of the investments held in the funds and are recognised in the income statement on an accrual basis.

Other costs
All expenses are recognised in the income statement as a cost on an accrual basis.

Taxation
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 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.

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.

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

Assessment of fund investments as structured entities
IFRS 12 defines a structured entity as ‘an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements’.

The Company has assessed whether the funds it manages are structured entities. The Company has considered the voting rights and other similar rights afforded to other parties in these funds (investors and independent boards or Directors), including the rights to remove the Company as fund manager, liquidate the funds, or redeem holdings in the funds (if such rights are equivalent to liquidating the funds) and has concluded as to whether these rights are the dominant factor in deciding who controls the funds.

The Company has judged that its managed funds are structured entities and that it has an interest in these funds.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES

Enterprise risk management ("ERM") framework

The Company continues to develop a well-defined, positive risk culture that is understood across Quilter, as well as a risk and control framework with clear articulation of the responsibilities between the three lines of defence.

The Group regulations applicable to the Company are the investment firm (Capital Requirement Directive) regulations. To meet these regulations, we operate a consistent approach to risk management across Quilter. As such, we have integrated the Internal Capital Adequacy Assessment Process ("**ICAAP**") into the risk management framework. Analysis is undertaken into the capital required to protect the sustainability of the Group and the Company, and how those capital requirements might develop over the planning period.

The assessments include a range of stress and scenario testing covering a broad range of scenarios, including market shocks, new business growth scenarios and operational risk events. These tests are in addition to the regulatory solvency capital requirements, which allow for severe and extreme scenarios and stresses (1 in 200 year risk events). Critical to our process is preparing management action plans should adverse events occur. This provides comfort that the Company is well capitalised and prepared to take necessary action in order to maintain our resilience to adverse conditions.

Risk appetite

The Company's risk appetite is the amount of risk we are willing to take on in the pursuit of our strategic priorities and is defined by the Board. Culturally, it sets the tone regarding our attitude towards risk taking. Risk appetite also plays a central role in informing decision making across the Group; protecting and enhancing the return on capital invested. This risk appetite approach is applied consistently across the Group.

To support the strategic decision-making process risk preferences are applied which provide guidelines for striking the appropriate balance of risk and reward when setting our business strategy.

Strategic risk appetite principles

A set of Strategic Risk Appetite Principles has been set by the Board. These principles provide the top-of-the-house guidance on attitude toward key areas of risk for the Group and support the ongoing management and oversight of risk.

The Group's position against these principles is measured on a regular basis. These principles are communicated and applied to all employees through a series of more granular risk appetite statements and measures, policies and standards and key risk indicators.

Policies supporting the system of internal control

The Group Governance Manual ("**GGM**") and policies form an integral part of our governance and risk management framework, ensuring an appropriate system of internal control. Together they form the basis of clear delegated authorities and accountabilities; ensuring there is appropriate Board oversight and control of important decisions; and efficient and effective management of day to day business. The GGM and policies are approved and adopted by the Board.

Risk management culture

Undoubtedly the most important element to risk management is a good culture of risk-informed decision making. We believe that a good risk culture enables effective management of risk. We link risk management to performance and development, as well as to the Company's remuneration and reward schemes. An open and transparent working environment which encourages our people to embrace risk management is critical to the achievement of our strategic priorities.

Principal risks and uncertainties

The Directors have carried out an assessment of the principal risks and controls facing the Company which are described below. The Board requires management to put in place actions to mitigate these risks, and controls to maintain risk exposures within acceptable levels defined by Quilter's risk appetite. Regular monitoring and reporting of risks enables continuous review and challenge of risks and actions.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Operational risk
Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to the brand / reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes the effects of failure of the administration processes, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contracts with third parties), risks relating to the relationship with third party suppliers, and the consequences of financial crime and business interruption events.

In accordance with Group policies, management have primary responsibility for the identification, management and monitoring of risks, and escalation and reporting on issues to the Company's executive management board and to the Group.

The Company's executive management have responsibility for implementing the Group risk management methodologies and framework and for the development and implementation of action plans to manage risk levels within acceptable tolerances and to resolve issues.

Quilter accepts a level of Operational risk as an integral and unavoidable part of our business where it arises out of the activities we undertake in order to provide services to our customers and generate profits for our shareholders.

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

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

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

The Company's principal assets are cash and cash equivalents, investment management fees due from the funds it manages, and unsettled trade debtors in connection with dealings into and out of its managed funds.

Cash is held across a diversified list of counterparties, primarily banks and money market funds, with high credit ratings assigned by international credit rating agencies. Management fees due from managed funds are settled monthly and underpinned by assets held within those funds. Unsettled trade debtors are settled on standard settlement terms (typically T+4), and outstanding trades are fully collateralised by the underlying assets held within the fund.

Loans and receivable balances are all short-term in nature. The principal amounts receivable on these balances are materially the same as fair value and as such credit risk has not had a significant impact on the valuation of the balances.

A significant amount of the Company's sales are to fellow subsidiary undertakings, so this risk is somewhat diminished.

Details on the Company's exposure to credit risk from cash and cash equivalents is included in note 17 Cash and Cash equivalents.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (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. Market risk arises from fluctuations in equity prices, interest rates and foreign exchange rates, where assets and liabilities are not precisely matched.

The Group has established a market risk policy which sets out the market risk management governance framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements.

The financial impact of more extensive movements in market risk other than those that could reasonably be expected is examined through stress tests carried out within the ICAAP. Market risk arises from exposure to movements in interest rates, equity & property values and foreign exchange rates.

Market risk arises from movement in the following variables:

Interest rate risk
Interest rate risk is 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 is not exposed to material interest rate risk. Interest rate risk arises primarily from bank balances and loans receivable held which are exposed to fluctuations in interest rates.

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

	2020	2019
	Variable	Variable
Assets		
Deposits with credit institutions	0.33%	0.66%

Price risk
In accordance with the Market Risk Policy, the Company does not invest shareholder assets in equity, or related collective investments, except for small seed capital positions which are subject to internal limits.

Foreign exchange rate risk
The Company has no material exposure to foreign exchange risk. The Company holds some foreign currency balances; these amounted to a debit balance of £6.6m (2019: £3.1m) in US dollars, and a debit balance of £1.3m (2019: £0.9m) in Euros.

Liquidity risk
Liquidity risk is 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.

The Group has established a liquidity risk policy, which sets out the practices that each business unit must perform to manage exposure to liquidity risk, and the Company has adopted this policy. Liquidity risk is managed on an on-going basis and reported monthly through the risk and governance committee and quarterly through the board.

The Company has access to an undrawn loan facility with Old Mutual Wealth Holdings Limited which can be drawn down upon should cash levels fall below the Early Warning Threshold as monitored under Quilter Investors' financial risk appetite framework.

Financial liabilities of the Company consist of trade and other payables of £110.9m (2019: £128.4m) which are expected to mature within three months. Financial assets of the Company consist of trade and other receivables of £103.1m (2019: £108.1m) which are all expected to mature within three months.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Capital risk
Capital risk is the risk of insufficient capital to meet regulatory and stakeholder requirements resulting in the potential to place constraints on the business plan/strategy, inability to absorb losses, damage to reputation and or regulatory fines and / or censure. The Capital Management policy sets out the key considerations and restrictions with regard to the amounts of capital that is retained.

Capital is managed by ensuring that the Company has sufficient capital resources to meet its liabilities to its customers, except in the event of extreme adverse circumstances with an acceptably small likelihood of occurrence. The Company also retains sufficient capital resources to meet regulatory capital requirements and to maintain working capital to provide for fluctuations in experience.

The Company regards the regulatory statutory capital resources of £46.4m (2019: £65.8m) as capital. The regulatory capital requirements have been met throughout the year. The ICAAP is used to assess the level of capital which should be retained by the Company. The ICAAP considers all of the risks faced by the Company and the degree to which risks have similar or related causes and so could occur together.

Expenses
Expense risk is the risk that actual expenses exceed the expectation when preparing the business plan. This may result in emerging profit falling below the Company's profit objectives.

Expense levels are monitored monthly against budgets and forecasts. An activity based costing process is used to allocate costs relating to processes and activities to individual products.

Sensitivity tests
Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2020 and 31 December 2019. The same methods and assumptions have applied to both 2020 and 2019 comparatives.

Interest rate risk
The Company is not directly exposed to material interest rate risk. Interest rate risk arises primarily from bank balances held which are exposed to fluctuations in interest rates. The Company's maximum exposure to loss caused by interest rate changes is limited to the interest revenue it earns on bank deposits, which was £0.3m in 2020 (2019: £0.7m).

Market risk
A 10% movement in assets under management would impact the annual fee income, and rebates payable to third parties' financial advisers. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year (e.g. if the current assets under management is £10.0 billion, the test allows for the effect of an immediate change in assets under management to £9.0 billion and to £11.0 billion).

A decrease in value of assets under management by 10% from the start of the year would have decreased profit by £10.4m after tax (2019: £9.5m). An equal change in the opposite direction would have increased profit by £10.4m after tax (2019: £9.5m).

Expenses risk
The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase.

An increase in expenses of 10% would have decreased profit by £2.2m after tax (2019: £2.9m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

4 FEE INCOME

	2020 £000's	2019 £000's
Initial fees	-	2
Investment management income	173,774	210,129
	173,774	210,131

In the prior year, £27m investment management income related to Merian Global Investors (UK) Limited funds for which the Company was ACD until 29 March 2019.

5 CHANGE IN CONTRACT LIABILITIES

	2020 £000's	2019 £000's
Opening balance	349	582
Capitalisation of contract liabilities	-	1
Amortisation of contract liabilities	(228)	(234)
Change in contract liabilities	(228)	(233)
Closing balance	121	349

The entity expects to recognise the above balances as revenue in the following years.

	2020 £000's	2019 £000's
Within one year	121	228
One to five years	-	121
Closing balance	121	349

6 INVESTMENT RETURN

	2020 £000's	2019 £000's
Interest receivable from cash deposits	279	737
Total interest and similar income	279	737
Profit/(Loss) from dealing in investments in managed funds	2	(3)
Total Profit on financial instruments at fair value through the income statement	3	2
	284	736

Investment return classified as held mandatorily at fair value through the income statement relates to net gains/losses on units held in the managed funds.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

7 OTHER INCOME

	2020 £000's	2019 £000's
Other income from Group undertakings (see Note 25)	686	-
Other income	-	540
Total other income	686	540

Other income in 2019 relates to a research and development HMRC tax credit. Other income in 2020 relates to intercompany income from Quilter Investors Portfolio Management Limited in respect of services provided.

8 ADMINISTRATIVE EXPENSES

	2020 £000's	2019 £000's
Investment adviser fees paid	18,619	39,944
Fund administration costs & TER subsidy	13,490	14,049
Management fees paid to fellow Group undertakings (see note 25)	9,335	9,911
Restructuring costs (see note 19)	(1,449)	(342)
Foreign exchange loss	480	118
Other expenses	27,098	34,094
	67,573	97,774

In the prior year profit payable to Merian Global Investors (UK) Limited for £21.2m attributable to the single strategy funds was included in investment adviser fees paid until 29 March 2019. Profit was calculated as management fees receivable less rebates and other investment expenses payable.

In the prior year other expenses included £0.5m accrual release of costs related to the sale of the single strategy business and £3.9m of expenses paid to Merian Global Investors (UK) Limited for services under the TSA.

In 2020 and 2019 the Company had direct employees whose costs are included in other expenses, the details of which are disclosed in Note 10.

Auditor's remuneration

	2020 £000's	2019 £000's
Fees payable to the Company's auditor for the audit of the Company's annual accounts	132	229
Fees payable to the funds' auditor for the audit of the funds' annual accounts	785	628
Fees payable to the Company's auditor for the non-audit services	142	171
Fees payable to the funds' auditor for non-audit services	94	-

Fees payable to the funds' auditor for the audit of the funds' annual accounts consist of fund audit fees paid. In 2019 fees payable to the funds' auditor also include fees paid on behalf of the Merian single strategy funds where the Company was the ACD until 29 March 2019. Company non-audit services consist of profit verification and CASS audit work. Non-audit services in relation to the funds consist of solvency statement and termination statement work. Fees in 2019 relate to KPMG LLP and in 2020 relate to PricewaterhouseCoopers LLP. Fees payable to the Company's auditor for the audit of the Company's annual accounts and non-audit services are paid by another entity within the Quilter Group and are recharged to the Company.

9 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.

Directors' emoluments shown below are included in management fees payable to fellow Group undertakings shown in Note 8.

	2020 £000's	2019 £000's
Aggregate Directors' emoluments		
Remuneration by trading Company	912	1,057
Pension by trading Company	10	20
Total share-based payments	683	766
Emoluments of the highest paid Director		
Aggregate emoluments excluding pension contributions	472	546
Pension contributions	6	10
Share-based payments	521	565

2 Directors had money paid to money purchase schemes during the year (2019: 2).

2 Directors received, or were due to receive shares or share options under a long-term incentive scheme (2019: 2).

2 Directors exercised options during the year (2019: 2).

The highest paid Director exercised share options during the current year and the prior year. The highest paid director also had money paid to money purchase schemes and did receive shares or share options in the current year and the prior year.

During the year there was no compensation for loss of office paid to Directors (2019: £nil); this includes the estimated money value of the following benefits: payment in lieu of notice, loss of participation in the SAYE scheme, pay-out of contractual long term incentive, pension contributions, bonus and statutory redundancy.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

10 EMPLOYEE BENEFITS

	2020 £000's	2019 £000's
Wages and salaries	13,475	14,006
Share-based payments	1,143	1,945
Social security costs	1,891	1,951
Other pension costs	842	670
Total employee benefits	17,351	18,572

The pension costs shown above are the Company's contributions into defined contribution pension plans.

	2020 Number	2019 Number
The average number of employees was as follows		
Executive office	11	8
Finance	6	7
Legal, Risk and Compliance	17	17
Operations	15	10
Investment Desk and Dealing	18	18
Investment Risk and Performance	6	5
Marketing, Client Services and Strategic Partners	13	14
IT	9	7
Product, Change and Projects	11	7
	106	93

11 COMMISSION AND REBATES PAID TO INTRODUCERS

	2020 £000's	Restated 2019 £000's
Rebates paid to Group undertakings (see note 25)[1]	7,135	4,771
Rebates paid to external introducers[1]	24,031	28,537
Renewal commission	-	57
	31,166	33,365

[1]The Company has restated £10,197,000 of rebates paid to Quilter Life Assurance Limited (“**QLA**”) in 2019 from Rebates paid to Group undertakings to Rebates paid to external introducers. QLA was previously a subsidiary of the Quilter Group but was disposed of on 31 December 2019, hence not a Group undertaking as at 31 December 2019 and therefore incorrectly classified in the 2019 disclosure.

12 CHANGE IN CONTRACT COSTS

	2020 £000's	2019 £000's
Opening balance	1	4
Capitalisation of contract costs	-	1
Amortisation of contract costs	-	(4)
Change in contract costs	-	(3)
Closing balance	1	1

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

13 TAXATION

	2020 £000's	2019 £000's
Current tax charge	14,238	15,482
Prior year adjustment	244	(944)
Movement on deferred tax	310	(179)
Tax on profit for the year	14,792	14,359

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

	2020 £000's	2019 £000's
Pre-tax profit	76,221	80,497
Tax on profit at the tax rate 19.00% (2019: 19.00%)	14,482	15,294
Effect of:		
Adjustments to prior years	244	(944)
Net movement on deferred tax assets not recognised	27	45
Effect on deferred tax changes in tax rates	(74)	40
Non-deductible costs	113	(76)
	14,792	14,359

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

14 INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES

	2020 £000's	2019 £000's
Financial assets mandatorily at fair value through profit or loss		
Investments in collective investment schemes	46	41

Investments in collective investment schemes are classified as financial investments designated at carrying value.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

15 DEFERRED TAX ASSET

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

	2020 £000's	2019 £000's
Non-financial assets held at other than fair value		
Opening Balance	822	593
Movement in the year due to timing differences	(311)	179
Charge to equity	(14)	50
Closing balance	497	822

Deferred tax assets in respect of investment losses have been recognised to the extent that it is considered probable that those losses will be utilised in the foreseeable future.

The main rate of corporation tax is 19%. The reduction to 17% due to come into effect from 1 April 2020 was cancelled. Deferred tax was calculated at 17% in 2019 and was rebased from 17% to 19% in 2020.

On the 3 March 2021 the Chancellor of the Exchequer announced in the Budget a future increase in the Corporation Tax rate from 19% to 25%, effective from 1 April 2023. The change in rate has not yet been substantially enacted but had it been at the 31 December 2020 the impact on the company’s deferred tax assets and liabilities would be immaterial.

16 TRADE AND OTHER RECEIVABLES

	2020 £000's	2019 £000's
Financial assets at amortised cost		
Due from Group undertakings (see Note 25)	27,817	29,642
Trade debtors	57,915	61,315
Investment management fees receivable	16,043	15,634
Other receivables	1,341	1,475
	103,116	108,066

All amounts due from Group undertakings are short-term and interest-free with the carrying amount approximating to fair value and are subject to the 12-month ECL model. There have been no non-performing receivables or material impairments in the financial year that require disclosure. None of the receivables reflected above have been subject to the renegotiation of terms. All other receivables are also current, short term and interest free and are carrying at fair value.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

17 CASH AND CASH EQUIVALENTS

	2020 £000's	2019 £000's
Financial assets at amortised cost		
Cash held at bank	30,010	26,050
Cash held on deposit	9,262	14,576
Financial assets designated at fair value through the profit or loss		
Cash held in money market funds	67,500	77,000
Total cash and cash equivalents	106,772	117,626

The cash and cash equivalents comprised of balances held in current and deposit bank accounts and sterling liquidity funds.

Cash held at bank and on deposit is held with A rated counterparties and is subject to the 12-month ECL model. Cash held in money market funds are held with AAA rated counterparties and are classified as financial investments.

18 SHARE CAPITAL

	2020 £000's	2019 £000's
Allotted, called up and fully paid		
12,600,000 ordinary shares of £1 each (2019: 12,600,000 of £1 each)	12,600	12,600

There were no issuances during the current or prior year.

The shares have full voting rights attached.

19 PROVISIONS

	2020 £000's	2019 £000's
Restructuring provision		
Balance at the beginning of the year	2,842	14,106
Charge to income statement	-	68
Utilised during the year	(1,399)	(10,922)
Unused amounts reversed	(1,343)	(410)
Balance at the end of the year	100	2,842

Following the sale of the single strategy business and the separation of the retained multi-asset business, a restructuring provision was recognised in 2018 in relation to delivering the target operating model required to enable the newly formed multi-asset business to function as a standalone operation going forward. The provision included those costs directly related to replacing and restoring the operational capability that previously underpinned and supported both parts of the asset management businesses. Key parts of this capability had either been disposed of or disrupted as a consequence of the sale.

19 PROVISIONS (continued)

The provision established was based on management's best estimates of the costs to be incurred in building out and delivering the target operating model by late 2019. As at 31 December 2019, this build programme had delivered six of the seven key milestones, resulting in Quilter Investors terminating services under the Transitional Services Arrangement ("**TSA**") with Merian Global Investors (UK) Limited effective 31 January 2020. Some elements of the restructuring provision remained in order to complete the final aspects of the project delivery. This includes 'technical debt' work to ensure solutions are fit for purpose, regulatory reporting build out and the completion of the sales and AUM solution. As at 31 December 2020 the work was materially completed and governance closed, with final invoices expected in early 2021.

The brought forward provision was £2.8m. £1.4m was utilised in the year. Following a reforecast of activities completed in 2020 £1.3m of the provision was reversed. The carried forward provision is £0.1m and is a current liability.

20 TRADE AND OTHER PAYABLES

	2020 £000's	2019 £000's
Financial liabilities at amortised cost		
Due to Group undertakings (see Note 25)	20,084	22,398
Trade creditors	80,797	85,899
Accrued expenses	5,789	292
Other creditors	4,213	19,765
	110,883	128,354

Trade creditors principally comprise amounts due to clients and investment settlements outstanding. The Directors consider that the carrying amount of trade and other payables approximates to their fair value. All trade and other payables are short-term and interest-free. Amounts due to Group undertakings are unsecured, interest-free and current.

21 FINANCIAL INSTRUMENTS

Fair value hierarchy

The table below analyses financial instruments into a hierarchy based in 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).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

21 FINANCIAL INSTRUMENTS (continued)

As at 31 December 2020	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Investments in collective investment schemes	46	-	-	46
Investments in money market funds	67,500	-	-	67,500
	67,546	-	-	67,546

As at 31 December 2019	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Investments in collective investment schemes	41	-	-	41
Investments in money market funds	77,000	-	-	77,000
	77,041	-	-	77,041

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.

Master netting or similar agreements
The Company may from time to time offset financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis or at a simultaneous time. The Company did not offset any financial assets or liabilities under any master netting or similar agreement during the 2020 or 2019 financial.

Unconsolidated structured entities
The Company manages several investment funds, which are unconsolidated structured entities. This note provides additional information on these funds. The Company holds interests in these funds through the receipt of management and other fees and an equity holding in certain of these funds. The investment funds are open-ended investment companies and professional investment funds, and are beneficially owned by third party investors.

Company extent of involvement in unconsolidated structured entities
The Company holds interest in unconsolidated structured entities as set out in the table below. The maximum exposure to losses is equal to the sum of the carrying amount of assets held.

Nature of risks associated with interests in unconsolidated structured entities:

	2020 £000's	2019 £000's
Market value of assets under management	22,411,582	20,821,518
Investment management fees earned from funds in the year	173,774	210,129
Investment management fees owed from funds (within trade and other receivables)	16,043	15,634
Investment in collective investment schemes	46	41

22 SHARE-BASED PAYMENTS

During the years ended 31 December 2020 and 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.

22(a): Description of share-based payment arrangements

The Company operates the following share-based payment schemes with awards over Quilter plc: 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 Phantom Share Reward Plan was awards over Old Mutual plc shares. This share-based payment scheme was transferred to awards over Quilter plc shares on 25 June 2018 and continue to the original vesting dates.

	Description of award					Vesting conditions		
Scheme	Restricted shares	Conditional shares	Options	Other	Dividend entitlement[1]	Contractual life (years)	Typical service (years)	Performance (measure)
Quilter plc Performance Share Plan - Share Options (Nil cost options)	-	-	✓	-	✓	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 & 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]	-	-	✓	✓	-	$3^{1/2}$ - $5^{1/2}$	3 & 5	-
Old Mutual Wealth Phantom Share Reward Plan - Conditional Shares[4]	-	✓	-	-	✓	Typically 3	3	-

[1]Participants are entitled to actual dividends for 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]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.

22(b): Reconciliation of movements in options

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

	Full year 2020		Full year 2019	
Options over shares (London Stock Exchange)	**Number options**	**Weighted average of exercise price**	Number options	Weighted average of exercise price
Outstanding at beginning of the year	**756,654**	**£0.54**	213,793	£0.00
Granted during the year	**-**	**-**	557,261	£0.76
Forfeited during the year	**(24,600)**	**£1.25**	(14,400)	£1.25
Exercised during the year	**(11,400)**	**£1.25**	-	-
Cancelled during the year	**(30,240)**	**£1.25**	-	-
Outstanding at end of the year	**690,414**	**£0.47**	756,654	£0.54
Exercisable at end of the year	**-**	**-**	-	-

22 SHARE-BASED PAYMENTS (continued)

There were no options granted during the year ended 31 December 2020. The weighted average fair value of options at the measurement date, for options granted during the year ended 31 December 2019 was £0.62.

The options outstanding at 31 December 2020 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 1.1 years. At 31 December 2019 the exercise price was £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 2.2 years.

22(c): 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 fair values at the grant date for awards granted during 2020 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 - Conditional Shares	1.17	0.00	35.1%	3.02	0.1%	0.0%	4%
Quilter plc Share Reward Plan - Conditional Shares	1.17	0.00	36.4%	2.00	0.1%	0.0%	4%

The expected volatility used was based on the historical volatility of the share price over the period for which trading history is available. The risk-free interest rate was based on the yields available on UK government bonds as at the date of grant. The bonds chosen were those with a similar remaining term to the expected life of the share awards.

22(d): Share grants

The following summarises the fair value of Restricted Share and Conditional Shares granted by the Company during the year:

	Full year 2020		Full year 2019	
Instruments granted during the year	**Number granted**	**Weighted average fair value**	Number granted	Weighted average fair value
Quilter plc Performance Share Plan – Conditional Shares	**454,605**	**£1.17**	207,831	£1.39
Quilter plc Share Reward Plan – Conditional Shares	**691,925**	**£1.17**	587,777	£1.39

22 SHARE-BASED PAYMENTS (continued)

22(e): Financial impact

The share-based payment reserve of £1,770k (2019: £3,579k) represents the cumulative expense of the Company for the unsettled portion of equity awarded schemes.

The total expense recognised in the year arising from equity compensation plans was as follows:

	£'000s	
	Full year 2020	Full year 2019
Total expense arising from equity-settled share and share option plans	**1,145**	1,945

The Company did not have any cash-settled share and share option plans in operation during the current or prior year.

23 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments as at 31 December 2020 (2019: £nil).

24 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2020 (2019: £nil).

25 RELATED PARTY TRANSACTIONS

The following transactions were entered into with related parties during current and prior years:

	2020 £000's	2019 Restated[4] £000's
Fund Dealing Activity		
Fellow subsidiaries - sale of units in managed funds	3,394,214	3,319,062
Fellow subsidiaries - repurchase of units in managed funds	(2,646,543)	(2,796,429)
Fellow subsidiaries - sale of units in managed funds debtor		
- Quilter Business Services Limited	34	0
- Old Mutual Wealth Life & Pensions Limited	27,635	28,425
- Quilter International Isle of Man Limited	65	1,217
Total sale of units in managed funds debtor	27,734	29,642
Fellow subsidiaries - repurchase of units in managed funds creditor		
- Old Mutual Wealth Life & Pensions Limited	(14,371)	(14,108)
- Quilter International Isle of Man Limited	(735)	(18)
Total repurchase of units in managed funds debtor	(15,106)	(14,126)

[4] Fellow subsidiaries – sales of units in managed funds for 2019 has been restated by £(356,087,000) from £3,675,149,000 to £3,319,062,000 and Fellow subsidiaries – repurchase of units in managed funds has been restated by £561,175,000 from £(3,357,604,000) to £(2,796,429,000), as a late update to the sales and repurchase figures was not reported in the prior year.

25 RELATED PARTY TRANSACTIONS (continued)

The Company is a manager of mutual funds and in its capacity as ACD acts as principal on all transactions of shares with the funds. The funds are available to retail investors and for sale and repurchase to other fellow subsidiary companies. No initial charge is imposed on transactions with other Group companies.

	2020 £000's	2019 Restated[5] £000's
Investment Management Activity		
Fellow subsidiaries - investment management fees rebated		
- Old Mutual Wealth Life & Pensions Limited	(1,557)	(2,280)
- Quilter International Isle of Man Limited	(5,524)	(2,449)
- Quilter International Ireland dac	(54)	(42)
Total investment management fees rebates	(7,135)	(4,771)
Fellow subsidiaries - investment management fees rebated creditor		
- Old Mutual Wealth Life & Pensions Limited	(154)	(172)
- Quilter International Isle of Man Limited	(651)	(305)
- Quilter International Ireland dac	(15)	(5)
Total investment management fees rebated creditor	(820)	(482)

An annual management fee is charged daily and billed monthly on assets under management and a rebate is made to the fellow subsidiary Company which acted as introducer. This is settled in cash on a monthly basis.

The amounts due to and from Group undertakings are recognised as a net balance on an individual group Company basis. These consist of management fee payable, outstanding trades, management fee rebates and group relief. All balances, with the exception of group relief, are expected to settle within one month. Investment management fees earned in the year and receivable are disclosed under unconsolidated structured entities within Note 21.

[5] The Company has restated £10,197,000 of rebates paid to Quilter Life Assurance Limited ("**QLA**") within total investment management fee rebates reducing it from £(14,968,000) to £(4,771,000). QLA was previously a subsidiary of the Quilter Group but was disposed of on 31 December 2019, hence not a Group undertaking as at 31 December 2019 and therefore incorrectly classified in the 2019 disclosure as a related party transaction.

25 RELATED PARTY TRANSACTIONS (continued)

	2020	2019 Restated[6]
	£000's	£000's
Management Expense Activity		
Fellow subsidiaries - Business Services Recharges Expenses		
- Quilter Cheviot Limited	(613)	(555)
- Quilter Business Services Limited	(8,722)	(9,356)
Total business services recharges expenses	(9,335)	(9,911)
Fellow Subsidiary - Business Service Recharges Income		
- Quilter Investors Portfolio Management Limited	686	-
Total business services recharges income	686	-
Fellow subsidiaries - Business Service Recharges creditor		
- Quilter Business Services Limited	(3,545)	(7,233)
- Quilter Cheviot Limited	(613)	(553)
Total business services recharges creditor	(4,158)	(7,786)
Fellow subsidiaries - Business Service Recharges debtor		
- Quilter Investors Portfolio Management Limited	83	-
Total business services recharges debtor	83	-

Management services and fixed assets in the current and prior years in the UK are provided by Quilter Business Services Limited, a fellow Group undertaking, and Quilter plc, the parent undertaking. Both entities charge a shared service fee for costs incurred and services provided. This management fee is charged at a mark-up on cost.

For 2019, Merian Global Investors (UK) Limited, provided services to the company under a Transitional Services Agreement. Charges paid under the TSA were included in other expenses (refer to note 8). Also, profit paid to Merian Global Investors (UK) Limited attributable to the single strategy funds was included in investment adviser fees paid until 29 March 2019 (refer to note 8) when Quilter Investors resigned as ACD. Profit paid was calculated as management fees receivable less rebates and other investment expenses.

Amounts due from or to Group undertakings at the reporting date are included in notes 16 and 20 respectively. Balances are current and settled in cash on a quarterly or monthly basis.

The Company has access to an undrawn loan facility with Old Mutual Wealth Holdings Limited which can be drawn down should cash levels fall below the Early Warning Threshold as monitored under Quilter Investors' financial risk appetite framework. As at 31 December 2020, the Company had not drawn down on the loan facility (2019: not drawn down).

Transactions with key management personnel, remuneration and other compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Details of the key management remuneration are provided in Note 9.

[6] Total Company has restated fellow subsidiaries – business service recharges creditor by £(8,323,000) from £(1,588,000) to £(9,911,000) as the prior year previously reported only the recharge for December 2019, not the full creditor balance.

25 RELATED PARTY TRANSACTIONS (continued)

Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business.

The Group's products are available to all employees of the Group on preferential staff terms. During the year ended 31 December 2020, key management personnel and their close family members contributed £32,000 (2019: £30,000) to Group pensions, investments (in both internal and external funds) and life insurance products. The total value of investments in Group pension and investment products by key management personnel serving at any point during the year was £85,000 (2019: £315,000) at the year end.

Other related parties

Details of the Group's staff pension schemes are provided in the Quilter plc's Annual Report. Transactions between the Group and the Group's staff pension schemes are made in the normal course of business.

The Group used the consulting services of Manchester Square Partners LLP, a company which is jointly controlled by one of the Group's and the Company's non-executive Directors (who ceased to be a non-executive Director for the Group and the Company during 2020). The transactions with the Group amounted to £54,000 in 2020 (2019: £359,000). Amounts were billed based on market rates for such services and were due and payable under normal payment terms. The outstanding balance with Manchester Square Partners LLP was £nil at 31 December 2020 (2019: £18,000).

During the year, the Company received income from the 83 funds (2019: 84 funds[7]) for which the Company is the ACD and which are classified as related parties. During the year, the Company received £173,774,000 (2019: £210,129,000) in gross management fees. As at 31 December 2020, the Company had £16,043,000 receivable from those funds (2019: £15,634,000).

[7] The current year related party disclosure includes comparatives of 84 funds for 2019. This disclosure has been restated due to the related party list being incomplete in 2019 resulting in these funds being excluded. Comparative figures for gross management fees received and amounts receivable from those funds as at 31 December 2019 have therefore been included in the current year disclosure.

NOTES TO THE FINANCIAL STATEMENTS
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26 ULTIMATE PARENT COMPANY

The immediate parent company and the ultimate parent company is Quilter plc, a company registered in England and Wales.

The Company's financial statements are only consolidated within the financial statements of Quilter plc which are available from:

The Company Secretary
Quilter plc
Senator House
85 Queen Victoria Street
London
EC4V 4AB

27 EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the year-end which require disclosure in, or amendment to, the financial statements, except as disclosed in note 15.