Registered in England and Wales No. 03276760

Quilter Financial Planning Solutions Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2020

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COMPANY INFORMATION

Directors	M Dean S C Gazard
Secretary	Quilter CoSec Services Limited
Independent Auditor	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Registered office	Riverside House The Waterfront Newcastle upon Tyne NE15 8NY
	Telephone: 0808 171 2626 Website: www.quilter.com
	Registered in England and Wales No: 03276760

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2020.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of Quilter Financial Planning Solutions Limited (**”the Company**”) is that of a firm of financial advisers. The Company is incorporated and domiciled in England and Wales.

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. The Company forms part of the Quilter Financial Planning division within the Quilter plc Group. Quilter Financial Planning Limited is the immediate parent company, providing strategic and governance oversight. The Company forms part of the Advice and Wealth Management segment.

The Company is authorised and regulated by the Financial Conduct Authority ("**FCA**"). The Company is part of the Quilter plc Group (“**the Group**”). Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the Company with strategic and governance oversight. The Company forms part of the Advice and Wealth Management segment of the Group.

QUILTER PLC STRATEGY

Quilter aims to be the leading UK and cross-border full-service wealth manager, providing advice-led investment solutions and investment platforms, focusing on delivering good customer outcomes. The breadth of the Group’s model helps to generate prosperity for customers by providing the services to develop suitable financial plans, manage customers’ investments in risk-based solutions and by helping customers access modern wealth wrappers via the Group’s platforms. Quilter’s purpose and strategy are underpinned by core beliefs, which include: the belief in the value of trusted advice, the right product choice for the customer and the belief that modern, simple and transparent products should be easily accessible and good value. The Directors of Quilter plc believe that the Group’s competitive advantage lies in its strong positions in attractive markets and its ability to offer high quality solutions across each element of the value chain at competitive, transparent and unbundled prices. Quilter’s strategic objectives include delivering on customer outcomes, advice and wealth management growth, wealth platforms growth, optimisation and efficiency.

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, business volumes and the level of assets under administration, 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.

QUILTER FINANCIAL PLANNING SOLUTIONS LIMITED STRATEGY

Quilter Financial Planning Solutions Limited forms part of the Quilter Financial Planning Group (“**the QFP Group**”), a network of over 3,600 financial advisers, including 1,842 restricted financial planners, who deliver personalised financial advice tailored to meet specific needs of the customer. The strategic aim of the QFP Group is to provide a market leading customer experience through controlled distribution and a focus upon the delivery of full financial planning within our target market of mass affluent and affluent customers. The QFP Group is committed to offering a controlled advice proposition that delivers excellent customer outcomes, with a structure which ensures strong leadership and a strategic focus for advisers and clients in different market segments. The QFP Group operated a business model with two core operating channels, a National channel and a Network channel.

Quilter Financial Planning Solutions Limited is aligned with the Network channel and the Company will continue to support its existing adviser population with a whole of market financial planning proposition.

Key performance indicators

Management evaluate the performance of the business using a number of measures. Key metrics for the Company were as follows:

	2020	2019
Advisor headcount number at year end for advisers operating under Quilter Financial Planning Solutions Limited	403	481
	£000's	**£000's**
Revenue	64,168	67,433
Administrative expenses	(12,718)	(11,098)
(Loss)/Profit before tax	(617)	99
Cash and cash equivalents	4,391	11,348
Net assets	28,292	28,810

Total adviser headcount reduced in 2020 to 403 (2019: 481), revenue volumes driven by adviser productivity and capacity have decreased by 4.8%, falling from £67.4m at the end of 2019 to £64.1m for the current year. The revenue decrease is largely attributable to the adviser headcount reduction.
The gross profit for the Company has seen an increase in 2020 at £12.1m and 18.9% compared to a prior year gross profit £10.9m and 16.2%, the movement driven by the mix of products sold and blend of Appointed Representative firms ('AR firms') contribution.

Administration costs have increased by 14.6% at £12.7m compared to £11.1m in the prior year. The majority of the Company's operational cost base is variable and driven by production volumes. Recharges from the parent company have decreased in the year by £0.8m to £10.8m (2019: £11.6m) These recharges include the maintenance, hosting and licence fee costs as an end user of these systems. Of the directly incurred costs, regulatory fees and Financial Services Compensation Scheme levy costs increased to £1.7m (2019: levy cost of £1.2m, not forming part of directly incurred costs), client compensation costs increased by £0.7m year on year.

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

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

COVID-19 has been recognised by the World Health Organisation as a global pandemic, therefore this will impact global supply chains, global market growth and employee availability over the next few years. The Company will be adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks depending on the extent of employment availability. The length and severity of the impact from COVID-19 remains a clear risk, although the Company would not expect this to materially change the underlying long-term prospects and going concern basis of the business. Climate change and Environmental, Social and Governance ("**ESG**") matters are areas of increasing focus. The frequency of climate-related risk events or a disorderly transition to a low carbon economy could give rise to additional costs and adversely impact asset values and customer outcomes. The acceleration of government, regulatory and corporate activity in support of meeting climate change targets requires Quilter to develop its approach to the identification and management of the risks associated with climate change. There is increasing focus on sustainability and sustainable investing, bringing opportunity and also increased pressure from investors and customers to bring about change. Quilter is focused on delivering against its climate and ESG responsibilities, including developing the required Taskforce on Climate-related Financial Disclosures ("**TCFD**") for the 2021 financial year.

GOING CONCERN

In evaluating going concern, the Directors have given consideration to the matters outlined in this Strategic Report, along with recognising the strategic importance of the Company to the Quilter Financial Planning Group and the wider Quilter Group.

Quilter Financial Planning Limited ("**QFPL**"), the direct parent of the Company, has received confirmation in writing from its ultimate parent Quilter plc, that it will continue to make funds available to QFPL for at least three years to 31 December 2023, and will not seek repayment of funds provided during that period. The Group's willingness to provide this ongoing support reflects the QFP Group's position as being an integral part of the Group strategy and advice solution offerings.

In light of the commitment of support from the Group, the Company has received confirmation of ongoing intent to provide capital support from its direct parent, QFPL, for a minimum of three years to 31 December 2023, continuing to recognise the strategic importance of the Company within QFP Group.

Accordingly, these financial statements have been prepared on the basis of the Company being a going concern.

Going concern has been evaluated at Group level by the Directors of Quilter plc and has been re-assessed by the Company's Board at the date of signing these financial statements. The use of the going concern basis of accounting is considered appropriate for the Group, reflecting future expected profitability. An assessment of the impact of COVID-19 on the going concern for the Group has been completed, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months and can feasibly provide the capital support commitment outlined above.

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks and uncertainties relate to investment market performance, adviser and customer persistency, expense levels and risks within operational activities associated with systems, processes, people and external influences. The Company does not seek market risk from trading securities with its own funds. The Company has limited risk appetite for credit risk via company cash held with counterparties. The risk management objectives and policies of the Company are disclosed in note 3. The principal risks and uncertainties facing the Company are those which impact upon its ability to deliver sustainable advice profits that support the QFP Group's ongoing investment in the business. These include:

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

Investment in growth and development - The Quilter plc Board sets the overall Business strategy for the Group, which is tested and challenged by the Board of the Company.

Development and implementation of IT systems - The Company continues to implement a programme of IT development including upgrading the policy capture and payments engine Officeweb to Commpay, which was released in February 2021. The Company will continue to focus on updating and enhancing its IT capabilities with a particular focus on delivering operational efficiency and enhancing the risk and control environment. Such IT developments carry

STRATEGIC REPORT (continued)

inherent execution risk. The Company is managing the execution risk arising on IT implementation through its Change Management Team dedicated to the implementation of projects within the business.

Customer complaints and redress experience - The controlled distribution model operated by the business benefits from expertise in defining and reviewing the restricted matrices and panels used by the business and strong governance over adherence to the defined advice standards, including file checking. This strategy combined with the operational approach to providing its customers with the right outcomes through process and Root Cause Analysis seeks to mitigate the risk of repeat instances or scenarios requiring client redress.

Risk management - Management recognise the need for a risk and control environment commensurate with the size and complexity of the business, together with the obligations required as a result of being part of a FTSE 250 group through its ultimate parent company, Quilter plc. The Company will continue to invest to further strengthen its risk and control environment through improved governance and risk reporting and to align with the wider Quilter Enterprise Risk Management Framework.

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

Financial instruments - The Company's main exposure to risk arising from financial instruments is its exposure to credit risk arising on cash or short-term deposits and trade and other receivables. All deposits are with Royal Bank of Scotland which is rated A+ with Fitch, indicating there is a low associated credit risk. Where the operational limit is breached a daily diversification process is triggered, placing cash in accounts with significant operational limit headroom. Trade and other receivables include adviser loan funding.

Emerging risks

Quilter is a long-term business and as such we monitor risks which are less certain in terms of timescales and impact. The emerging risk profile is subject to regular review by management committees and the Board. The identification of these risks contributes to our stress and scenario testing which feeds into our strategic planning process and informs our capital calculations. The following are the emerging risks we feel are the most significant.

Pandemic evolution: The resurgence of COVID-19 in late 2020 and 2021 is causing further economic pressure as well as direct impacts on our customers, people, advisers and operations. The rapid roll-out of the vaccine in the UK gives reason for optimism in the medium-term outlook, though further disruption is likely in the short-term and there remains uncertainty as to the pace and shape of economic recovery. Quilter's net client cash flow (NCCF), assets under management (AuM), profitability and free cash levels could be materially affected by an extended or volatile economic recovery.

Disruptive competition: There is increased competition in the wealth management industry and an acceleration in technological advancements. A rapidly shifting external environment brings opportunity for greater competitive disruption with potential to erode Quilter's market share.

Margin pressure: There is increasing competitive pressure to provide wealth management services at a lower overall cost to customers (there is a need to reduce the sum of advice fees, platform costs and fund management costs to remain competitive).

Cyber threat developments: Evolving sophisticated cyber criminality presents a persistent threat of attack, capable of compromising the continuity of operations, or the security and integrity of information. Quilter's cyber risk landscape is made more complex by the current remote working environment.

Generational shifts: The UK is experiencing shifts in generational wealth accumulation with newer generations potentially less able to accumulate wealth and assets from income. Existing intergenerational tensions are being further

STRATEGIC REPORT (continued)

accelerated by an ageing population and the impact of the COVID-19 pandemic on the economic outlook. Robotics, and in the longer term, artificial intelligence and the increased need to manage natural resources all have the potential to materially change the nature of the future labour force (for example, through mass unemployment), which represents an additional challenge to Quilter's target market. There is a risk of strategic failure to adapt to future customer needs.

Change strategy and execution risk: Quilter continues to be subject to material change programmes, within Quilter Financial Planning, the implementation of several initiatives to further enhance the control environment will be ongoing in 2021. This delivery profile carries a delivery risk, a risk of implementation issues, and a dependence on key individuals. As 2021 progresses, there will be a need to ensure these projects remain on track to deliver the intended benefits, without risking disruption to continuing operations and the control environment.

SECTION 172 (1) STATEMENT

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

In order to ensure decision making bodies within Quilter continue to take their decisions on a fully informed basis, the Group has taken steps to further embed management's and Directors' understanding of the responsibilities ascribed to Directors under section 172 (1) of the Companies Act 2006 ("**s172**") at a Quilter plc level and across its management committees and subsidiaries, including the Company. Quilter Corporate Secretariat continue to engage with management to explain the importance of the considerations referred to in s172 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 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 s172 considerations remain at the heart of the Group's decision-making at all levels. Directors who joined during 2020 were provided with a full induction including training on their responsibilities set out in s172.

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 ultimate parent company, in the long-term, by supporting the delivery of the Group's strategic priorities. In doing so, the Board has appropriately considered its key stakeholders, including customers, advisers, employees and its regulator.

The Board of the Company has previously approved a delegation of authority to Quilter Financial Planning Limited, the Company's immediate parent company, to determine the strategic direction of the business of the Company, undertake day-to-day business decisions and oversee the operational, financial and risk management of the Company's business. Under this delegation of authority, the Board of Quilter Financial Planning Limited has overseen the actions being taken to develop the Company's business, ensure that the advice process is appropriately controlled, manage conflicts of interest and improve the investment proposition available to the Company's advisers, all of which supports the successful delivery of good customer outcomes and fosters strong business relationships with our advisers and customers.

By order of the Board

Stephen Gazard
Director
28 September 2021

DIRECTORS' REPORT

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

The review of the business and principal risks and uncertainties are disclosed within the Strategic Report.

DIRECTORS

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

M Dean	(appointed 3 July 2020)
S C Gazard	(appointed 3 July 2020)
D W J Sharkey	(resigned 3 July 2020)
A B Thompson	(resigned 30 June 2020)

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

Qualifying third-party indemnities were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 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.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £505,000 (2019: Profit after tax £217,000).

The Directors do not recommend the payment of a dividend (2019: £nil).

EMPLOYEES

The Company has no employees. Quilter Financial Planning Limited employs all staff and the related disclosures are shown in those financial statements.

FINANCIAL INSTRUMENTS

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

POLITICAL DONATIONS

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

MANAGED CAPITAL

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

BUSINESS RELATIONSHIP STATEMENT

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

An explanation of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers 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 report and accounts of the Quilter plc Annual Report, which does not form part of this report.

DIRECTORS' REPORT (continued)

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 a 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.

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

STATEMENT OF GOING CONCERN

The use of the going concern basis of accounting is considered appropriate, reflecting the intention of the Company's direct parent company, Quilter Financial Planning Limited, to provide continued capital support to the Company for at least the three years to 31 December 2023.

In turn, Quilter Financial Planning Limited has received a capital support commitment from its ultimate parent, Quilter plc for the same period, reflecting the strategic importance of the Quilter Financial Planning Group in the wider group.

An assessment of the impact of COVID-19 on the going concern for the overall Quilter Group has been completed, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months.

In light of the above 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.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has been appointed by the Company to hold office in accordance with s.485 of the Companies Act 2006.

By order of the Board

Mitchell Dean
Director
28 September 2021

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

The Directors are responsible for preparing the Annual Report and the 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 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.

The Directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF QUILTER FINANICIAL PLANNING SOLUTIONS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Quilter Financial Planning Solutions 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 loss 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.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF QUILTER FINANICIAL PLANNING SOLUTIONS LIMITED (Continued)

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 Strategic Report, Directors' Report and 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 Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board of Directors and with management (Finance, 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;
- 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 and the Audit Committee;
- Identifying and testing journal entries, in particular any journal entries with unexpected account combinations, unusual amounts, unusual words, unusual times, and any post closing entries, where any such entries were identified;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements.

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.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF QUILTER FINANICIAL PLANNING SOLUTIONS LIMITED (Continued)

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 directors 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.

Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 September 2021

INCOME STATEMENT
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	4	64,168	67,433
Cost of sales		(52,044)	(56,519)
Gross profit		12,124	10,914
Administrative expenses	6	(12,718)	(11,098)
Finance income	5	8	300
Finance costs	8	(31)	(17)
Total expenses		(12,741)	(10,815)
(Loss)/profit before tax		(617)	99
Taxation	9	112	118
(Loss)/profit for the year after tax		(505)	217
Attributable to equity holders		(505)	217

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

The notes on pages 18 to 38 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	2020	2019
	£'000	£'000
(Loss)/profit for the year after tax	(505)	217
Total comprehensive income for the year		
All attributable to equity holders	(505)	217

The notes on pages 18 to 38 are an integral part of these financial statements.

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

	Share capital £'000	Share premium £'000	Retained losses £'000	Total equity £'000
Balance at 1 January 2020	90	38,631	(9,911)	28,810
Loss for the year	-	-	(505)	(505)
Tax debit in equity	-	-	(13)	(13)
Balance at 31 December 2020	90	38,631	(10,429)	28,292

	Share capital £'000	Share premium £'000	Retained losses £'000	Total equity £'000
Balance at 1 January 2019	90	38,631	(10,158)	28,563
Profit for the year	-	-	217	217
Tax credit in equity	-	-	30	30
Balance at 31 December 2019	90	38,631	(9,911)	28,810

The tax debits and credits recognised in equity pertain to deferred tax adjustments under IFRS 16 Leases.

The Company did not recognise any other income or expense directly in equity (2019: £nil).

The notes on pages 18 to 38 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	10	538	712
Deferred tax assets	18	71	89
Investment in subsidiary	11	-	-
Current assets			
Trade and other receivables	12	30,471	26,399
Corporation tax receivable		117	90
Contract assets	13	589	436
Cash and cash equivalents	14	4,391	11,348
Total assets		36,177	39,074
Equity and liabilities			
Equity			
Share capital	19	90	90
Share premium		38,631	38,631
Retained losses		(10,429)	(9,911)
Total equity attributable to equity holders		28,292	28,810
Non-current liabilities			
Lease liabilities	16	447	760
Current liabilities			
Provisions	17	2,820	4,107
Trade and other payables	15	4,409	5,295
Lease liabilities	16	209	102
Total liabilities		7,885	10,264
Total equity and liabilities		36,177	39,074

The notes on pages 18 to 38 are an integral part of these financial statements.

Approved at a meeting of the Board of Directors on 28 September 2021 and signed on its behalf by:

Mitchell Dean

Director

Company registered number: 03276760

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	2020 £000's	2019 £000's
Cash flows from operating activities		
(Loss)/profit before tax	(617)	99
Adjustment to reconcile operating (loss)/profit before tax to net cash used in operating activities: from operating activities:		
Depreciation of property and equipment	174	185
(Increase)/decrease in other receivables	(4,071)	1,333
(Increase)/decrease in contract assets	(153)	134
(Decrease) in other payables	(886)	(1,143)
(Decrease) in provisions	(1,287)	(58)
Interest on loan with parent	-	(267)
Finance lease liability interest	13	17
Tax received	89	-
Decrease in financial assets	-	7
Net cash flows (used in)/from operating activities	(6,738)	307
Cash flows from financing activities		
Payment of lease liabilities	(219)	(219)
Net cash flows used in financing activities	(219)	(219)
Net (decrease)/increase in cash and cash equivalents	(6,957)	88
Cash and cash equivalents at beginning of the year	11,348	11,260
Cash and cash equivalents at end of the year	4,391	11,348
Non-cash financing activities		
Settlement of loan by Quilter Financial Planning Limited	-	14,210

The notes on pages 18 to 38 are an integral part of these financial statements.

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

1 GENERAL INFORMATION

Quilter Financial Planning Solutions Limited ("**the Company**") is a limited company, incorporated and domiciled in the United Kingdom ("**UK**").

The principal activity of the Company is the provision of financial advice which includes financial planning and mortgage advice through both a network of intermediaries and self-employed advisers.

All activities are carried out in the UK.

The address of the registered office is Riverside House, The Waterfront, Newcastle Upon Tyne, NE15 8NY.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The Company's financial statements for the year ended 31 December 2020 have been prepared and approved by the Directors on a going concern basis, in accordance with International Accounting Standards ("**IAS**") and in conformity with the requirements of the Companies Act 2006.

These financial statements have been prepared on a historical cost basis and are presented in pounds sterling, which is the currency of the primary economic environment in which the QFP Group operates.

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

In assessing the basis of preparation management have considered

- the liquidity of the Company's assets
- the projected regulatory capital position of the Company
- the Group's assessment of the impact of COVID 19 through scenario testing and modelling of a significant downturn in markets
- the written commitment from the Company's ultimate parent to provide the required level of continued capital support for at least three years to 31 December 2023 along with the management's consideration of the ultimate parent's ability to provide that support.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern
The use of the going concern basis of accounting is considered appropriate, reflecting the intention of the Company's parent company, Quilter Financial Planning Limited, to provide continued capital support for at least the three years to 31 December 2023. An assessment of the impact of COVID-19 on the going concern for the overall Group has been completed, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months.

In light of the support committed to by Quilter plc, 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.

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**") and endorsed by the EU, 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 references 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; and
- amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments:* Disclosures – Interest Rate Benchmark Reform
- 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.

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* (yet to be endorsed by the EU).

Financial instruments
Financial instruments cover a wide range of financial assets, including financial investments, trade receivables, contract assets, cash and cash equivalents, financial liabilities and trade payables.

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, and only when the liability is extinguished.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed, and information is reported to management. The assessment considers the stated portfolio policies and objectives. The Company determines its strategy in holding the financial asset, particularly considering whether the Company earns contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. These factors enable management to determine which financial assets should be measured at fair value through the profit and loss ("**FVTPL**").

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

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. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

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

Amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding on specified dates.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity

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

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

Trade payables and receivables

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

Impairment of financial assets

The expected loss accounting model for credit loss applies to financial assets measured at amortised cost and to contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage Expected Credit Loss ("**ECL**") impairment model.

Performing financial assets

Stage 1

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

Stage 2

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

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

Impaired financial assets

Stage 3

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Trade receivables to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Cash and cash equivalents 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 probability-weighted estimates 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 identifying significant increases in credit risk.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Area	Critical accounting judgements	Notes
Complaints	In assessing whether a complaint should be provided for, the Company assesses its validity and calculates the financial impact.	12, 17
Claw back on indemnity policies	A provision is made for claw back of indemnity commission in respect of policies cancelled during the indemnity period. It represents the expected cost of claw backs from product providers for subsequent policy cancellations	12, 17

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

Area	Critical accounting estimates	Notes
Provisions – measurement – Complaints	Each complaint case received is recorded, assessed for validity and potential redress amount calculated. Where the case is assessed as more likely than not, the redress is provided for in full. The Company has in place professional indemnity insurance arrangements and the amount payable in redress is generally recoverable from this arrangement, subject to acceptance by the insurers and the overall limits and excesses on that policy. The amount recoverable is included within Other receivables.	12, 17
Provisions – measurement – Customer Redress	The provision is based on policies written as at 31 December 2020 and calculated by reference to historical data resulting from past claims, referenced to present day sales of indemnity products. The amount provided represents the gross obligation, and, where these amounts can be recovered from advisers, an asset is recognised. The amount recoverable is included within Other receivables.	12, 17

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding VAT.

Revenue primarily represents commission receivable on financial products sold and fees on advice provided by financial advisers.

Income relating to new business paid through providers of financial products, either as commissions or provider facilitated fees, is recognised at the inception of financial policies sold, with an appropriate discount being applied for policies not completed. Pipeline recurring income arising from existing policies is recognised on receipt. Provision for repayment of indemnity commission in the event that a policy may lapse is made in the financial statements.

Contract assets

Contract assets are recognised as result of the contractual right to benefit from providing investment management services. This is effectively the income that is due from platform providers, as a result of advisers providing services and that have not yet been received.

Contract assets is a calculation based upon cases written in the last six months of the period which have not been paid at year end.

Therefore this is an estimate of future revenue which includes an impairment to recognise that an element will not be proceeded with.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Other property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Fixtures and fittings are depreciated on a straight-line basis over their useful economic life which in all cases is 3 years.

Assets associated with short leaseholds are stated at cost less accumulated depreciation and accumulated impairment in value. Assets associated with short leaseholds are depreciated on a straight-line basis over the period of the lease up to a maximum of 5 years.

Depreciation and impairment losses are recognised in the income statement within administrative expenses. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Taxation
Current income tax
The taxation charge is based on the taxable result for the year. The taxable result for the year is determined in accordance with the rules established by the taxation authorities for calculating the amount of corporation tax payable.

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

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

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Provisions
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the entity. If a reliable estimate cannot be made, such items are disclosed as contingent liabilities. Provisions are detailed in note 17.

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

3 RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

3 RISK MANAGEMENT FRAMEWORK (continued)

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

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

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

The Company is exposed to limited credit risk. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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

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

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

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

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

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

3 RISK MANAGEMENT FRAMEWORK (continued)

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

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

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

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

Capital Management

As a member of the Quilter Group, the Company applies Quilter Group capital management policy.

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital management objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts, strategic initiatives and regulatory requirements in all businesses in the Group. Capital forecasts have been reviewed regularly during 2020 in response to the emerging impacts of the COVID-19 pandemic which has evolved over the year end and, where appropriate, management actions have been taken in response to these forecasts.

The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

- maintain sufficient, but not excessive, financial strength to support stakeholder requirements;
- optimise debt to equity structure to enhance shareholder returns; and
- retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

The primary sources of capital used by the Company are equity shareholders' funds of £28,292,000 (31 December 2019: £28,810,000). The Company retains sufficient capital resources to continue as a going concern and support its operations with any surplus capital distributed as a dividend.

3 RISK MANAGEMENT FRAMEWORK (continued)

As outlined in note 2, in the event of the Company incurring losses resulting in erosion of its capital base it is supported financially by its immediate parent company Quilter Financial Planning Limited.

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

The constituent parts of the Operational Risk Framework are:

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

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

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

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

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

COVID-19
In early 2020, COVID-19 was recognised by the World Health Organisation as a global pandemic. This will have the impact of increasing existing risks as well as creating new ones through disruption to global supply chains and employee availability along with the negative impact on global market growth. The Company is addressing these risks through the application of the Enterprise-wide Risk Management framework outlined above.

As part of its capital adequacy planning, the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. In support of this and as outlined in the Strategic Report, the Company will continue to benefit from ongoing capital support from Quilter Financial Planning Limited and the broader Group.

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

4 REVENUE

Revenue primarily represents income receivable on financial products sold and advice provided by restricted financial advisers and is derived from continuing operations in the United Kingdom.

5 FINANCE INCOME

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

	2020 £000's	2019 £000's
Finance income		
Bank interest	8	33
Intercompany loan interest	-	267
Total finance income	8	300

6 ADMINISTRATIVE EXPENSES

Administrative expenses include £10,808,000 (2019: £11,647,000) relating to recharges to the Company by Quilter Financial Planning Limited and £1,910,000 of directly incurred costs (2019: credit of £549,000).

Directly incurred costs included £1,679,000 (2019: £nil) relating to FCA levies, £174,000 (2019: £174,000) relating to depreciation of right of use assets and £54,000 (2019: credit of £783,000) relating to complaints, remediations and bad debts. In 2019, the FCA levies formed part of the recharges from Quilter Financial Planning Limited.

Auditor's remuneration for audit services consists of fees in respect of the statutory audit were £35,000 (2019: £47,000). There are no non-audit fees (2019: £nil).

7 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

The Directors have minimal input in the day-to-day administration of the Company. The Directors are remunerated by Quilter Financial Planning Limited and not recharged to the Company. The aggregate Directors’ emoluments disclosed in those financial statements are £1,399,000 (2019: £968,000).

8 FINANCE COSTS

	2020 £000's	2019 £000's
Bank charges	18	-
Interest charge on lease liability	13	17
Total	31	17

9 TAXATION

	2020 £000's	Restated[1] 2019 £000's
Current year corporation tax (credit)	(129)	-
Adjustment for prior years	13	(91)
Origination and reversal of temporary differences	4	(27)
Tax (credit) for the year	(112)	(118)

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

	2020 £000's	Restated[1] 2019 £000's
(Loss)/profit before tax	(617)	99
Tax (credit)/charge on (loss)/profit at the applicable tax rate 19% (2019: 19%)	(117)	19
Effect of:		
Expenses not deductible for tax purposes	6	-
Depreciation charge in excess of capital allowances	-	(12)
Brought forward losses utilised	-	(7)
Deferred tax now recognised	(14)	(27)
Adjustment to prior years	13	(91)
	(112)	(118)

1. In the above reconciliation, a number of figures in the 2019 column have been restated to address a minor presentational issue in the notes to the 2019 financial statements. There is no impact on the tax charge for 2019 as presented in the income statement within the 2019 financial statements.

The main rate of corporation tax is 19%. The reduction to 17% due to come into effect from 1 April 2020 was cancelled.

10 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets £000's	Other property and equipment £000's	Total £000's
Cost			
At 1 January 2019	-	2,867	2,867
Additions	886	-	886
At 31 December 2019	886	2,867	3,753
Additions	-	-	-
Disposals	-	(677)	(677)
At 31 December 2020	886	2,190	3,076
Accumulated depreciation			
At 1 January 2019	-	2,856	2,856
Provided during the year	174	11	185
At 31 December 2019	174	2,867	3,041
Provided during the year	174	-	174
Disposals	-	(677)	(677)
At 31 December 2020	348	2,190	2,538
Carrying amount			
At 31 December 2019	712	-	712
At 31 December 2020	538	-	538

Following a review of the fixed asset register, the Company recognised the disposal of certain fully depreciated assets with a cost of £677k and an accumulated depreciation of £677k (net book value: £nil) in the year. There were no proceeds arising from the recognition of the disposal and therefore no gain or loss has been recognised in the income statement.

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

11 INVESTMENT IN SUBSIDIARY

	Investments in subsidiary £
At 1 January 2019	1
Additions	-
At 31 December 2019	1
Additions	-
At 31 December 2020	1

The subsidiary undertaking at the year end, wholly owned and registered in England and Wales is:

Company	**Registered address**	**Company number**
Think Synergy Limited	Riverside House, The Waterfront, Newcastle-upon-Tyne, NE15 8NY	05113517

Impairment of investment in subsidiary
The carrying amounts of the Company's investment in subsidiary, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. As at 31 December 2020, there is no evidence of impairment in investment in subsidiary.

12 TRADE AND OTHER RECEIVABLES

	2020 £000's	2019 £000's
Trade receivables	712	482
Due from parent undertaking	28,561	24,640
Owed by Quilter plc subsidiary undertakings	392	159
Amount recoverable from advisers for indemnity commission	484	718
Amount recoverable from professional indemnity insurance	322	400
	30,471	26,399

The Company assesses inter-company balances for expected credit loss, but due to the value of cash within the Group, which could be distributed to each business, and no historical losses incurred on inter-company balances, we have not recognised an expected credit loss on inter-company balances. The amount recoverable from advisers for indemnity commission above is presented net of a £25k provision for expected credit loss.

For terms and conditions relating to related party transactions, refer to note 20. Trade receivables and other receivables are non-interest bearing.
There were no trade receivables that were past due but not impaired (2019: £nil).

Expected credit losses utilisation	2020 £'000	2019 £'000
Balance brought forward	645	1,474
Charged to income statement	219	110
Utilised in the year	(64)	(939)
Balance carried forward	800	645

13 CONTRACT ASSETS

	2020 £000's	2019 £000's
Contract assets opening balance	436	570
Contract assets cost	153	-
Contract assets (impairment)	-	(134)
Total contract assets closing balance	589	436

The contract assets accrued income is calculated based upon written cases which have not been paid at the year-end date. Therefore, this is an estimate of future revenue which includes an impairment to recognise that an element will not be proceeded with.

All amounts are recognised at amortised cost.

14 CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash and cash equivalents	4,391	11,348

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amount of these assets approximates to their fair value.

15 TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Due to fellow group undertaking	91	58
Trade payables	4,269	5,195
Other taxes and social security costs	49	42
	4,409	5,295

Trade payables are non-interest bearing and are normally settled in 90 days.

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

16 LEASE LIABILITIES

	2020 £000's	2019 £000's
Opening balance at 1 January	862	1,064
Finance interest charge for the period	13	17
Lease liability reduction for the period	(219)	(219)
Closing balance at 31 December	656	862
Lease liability to be settled within 12 months	209	102
Lease liability to be settled after 12 months	447	760
Total discounted lease liability at 31 December	656	862
Maturity analysis – contractual undiscounted cash flows		
Less than one year	219	219
One to five years	456	674
Total undiscounted lease liability at 31 December	675	893

The Company incurs interest on the lease liability based on its incremental borrowing rate which was 2.4% (2019: 2.4%).

17 PROVISIONS

	Indemnity commission provision £000's	Provision for customer redress £000's	Total £000's
At 1 January 2019	853	3,312	4,165
Movement in year	122	(180)	(58)
At 31 December 2019	975	3,132	4,107
Movement in year	(317)	(970)	(1,287)
At 31 December 2020	658	2,162	2,820

Indemnity commission provision
Provision is made for repayment of indemnity commission to the product provider in the event that a policy may lapse within the indemnity period. Given the nature of these policies, there is uncertainty as to number and monetary value of lapses.

An asset is held for the amount recoverable from advisers for any liability caused by the above within trade and other receivables (note 12). As at 31 December 2020, the recoverable amount was equal to £484,000 (2019: £718,000), making the net liability £174,000 (2019: £257,000).

If the underlying assumption that the future clawback pattern is assumed to reflect the historical actual clawback is to change by +/- 9% of the movement for the year, this would have a proportional impact on the movement for the year of +£29,000 or -£29,000 (2019: +/- 10.5% +£13,000 or -£13,000) with a corresponding impact on the year on year movement of the amounts recoverable from advisers of +£21,000 or -£21,000 (2019: +/- 10.5% +£9,000 or -£9,000).

Provision for customer redress
Provision is made for expected settlements on open complaints.

An asset is held for the amount recoverable from professional indemnity insurance caused by the above within trade and other receivables (note 12). As at 31 December 2020, the recoverable was equal to £322,000 (2019: £400,000), making the net liability £1,840,000 (2019: £2,732,000).

	2020 £000's	2019 £000's
Balance brought forward	3,132	3,312
Utilised in the year	(165)	211
Charge to income statement	(805)	(391)
Balance carried forward	2,162	3,132

18 DEFERRED TAX

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

	Tax assets carried forward £000's	Fixed Assets £000's	Deferred tax asset not provided £000's	IFRS 16 £000's	Total £000's
Asset at 1 January 2019	1,072	74	(1,114)	-	32
Adjustment to prior years	65	-	(65)	-	-
Equity movements	-	30	-	-	30
Movement in the year	(33)	(15)	75	-	27
Asset at 31 December 2019	1,104	89	(1,104)	-	89
Adjustment to prior years	-	(30)	-	16	(14)
Equity movements	-	-	-	-	-
Movement in the year	-	2	-	(6)	(4)
Asset at 31 December 2020	1,104	61	(1,104)	10	71

Deferred tax assets of £1,672,000 (2019: £1,104,000) and tax losses of £6,688,000 (2019: £6,494,000) have not been recognised as there is sufficient uncertainty to the extent it is probable that there will be future taxable profits to utilise the losses. Trading losses are available to carry forward without expiry subject to the continuation of the trade.

19 SHARE CAPITAL

	2020 £'000	2019 £'000
296,088,200 fully paid ordinary 'A' shares of £0.00016 each	47	47
164,058,800 fully paid ordinary 'B' shares of £0.00026 each	43	43
Shares included in equity holders' funds	90	90

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

20 RELATED PARTY TRANSACTIONS

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

	2020 £'000	2019 £'000
Fellow group undertakings - purchase of services	10,808	11,647

The undertakings above being wholly attributable to the parent company, Quilter Financial Planning Limited. The Company has not provided or benefited from any guarantees for any related party receivables or payables.

During the year, there was no waiver of amounts due from trading subsidiaries (2019: £nil).

Related party payable and receivable balances at the reporting date:

	2020 £'000	2019 £'000
Amounts owed by Quilter plc subsidiary undertakings	392	-
Amounts due from parent undertaking	28,561	24,640
Amounts payable to fellow group undertakings	(91)	(58)

Amounts owed by Quilter plc subsidiary undertakings include receivable balances of £165k from Old Mutual Wealth Limited and £227k due from Old Mutual Life and Pensions Limited. Amounts due from parent undertaking being wholly attributable to Quilter Financial Planning Limited. Amounts payable to fellow group undertakings are to Quilter Wealth Limited. Undertakings at the reporting date are included in notes 6, 12, and 15. Details on administrative expenses recharged to the company by fellow group undertakings are disclosed in note 6.

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

The Group's products are available to the Directors and staff of the Company on preferential staff terms. The impact of this on the financial statements is immaterial.

21 CONTINGENT LIABILITIES

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

22 EVENTS AFTER THE REPORTING DATE

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

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

23 ULTIMATE PARENT COMPANY

The Company’s immediate parent company is Quilter Financial Planning Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is Quilter plc, the ultimate parent company and controlling party, registered in England and Wales. The financial statements are available from:

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