ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2020

Old Mutual Wealth Limited

Registered in England and Wales No. 01680071

Old Mutual Wealth Limited

CONTENTS

COMPANY INFORMATION

Directors as at reporting date	A M Barnes J E Gill S D Levin G M Reid (Chairman) S V Wood
Secretary	Quilter CoSec Services Limited
Independent Auditors	PricewaterhouseCoopers LLP Savannah House 3 Ocean Way Southampton SO14 3TJ
Registered office	Old Mutual House Portland Terrace Southampton SO14 7EJ

STRATEGIC REPORT

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

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

Old Mutual Wealth Limited ("the Company") is a leading investment platform provider of retail advised wealth management products and services, operating in the UK. It largely serves an affluent customer base through the Quilter Financial Planning division and third party financial advisers.

The Company and its sister company Old Mutual Wealth Life & Pensions Limited comprise the UK Platform which forms part of the Quilter Wealth Platforms division within Quilter plc group ("the Group"). Quilter plc is the ultimate parent company and delivers strategic and governance oversight. Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Since the listing of the Group in June 2018, the Group's businesses have progressively rebranded to Quilter. The UK Platform will be the final business to rebrand; which is planned for 2021 following the final migration to the new platform.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") under the Capital Requirements Directive (CRD IV).

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 administration, as experienced in 2020 with the adverse impact of the COVID-19 pandemic on equity market levels, but the group operates in a large and fragmented market that has good long-term growth potential.

Old Mutual Wealth Limited Strategy

The strategic priorities of the Company, aligned to the broader strategy of the Quilter Wealth Platforms division, are to build the investment proposition, leverage benefits from being part of a full service wealth management business and invest significantly in the infrastructure to build a market-leading platform that will provide an enhanced service and proposition to customers and advisers.

The UK Platform Transformation Programme

The UK Platform Transformation Programme ("PTP") has continued to be a major priority for the Company over the course of 2020.

Following a rigorous approach to validating our migration readiness plans, which incorporated two dry runs and three dress rehearsals, the Company undertook a successful initial migration of c.8% of the total platform assets under administration in February 2020. This represented the funds associated with around 60 adviser firms and 25,000 customers and demonstrated that our platform technology worked well at scale. As the year progressed, focus was placed on supporting customers and advisers through the post-migration period, incorporating adviser feedback as a driver for system improvements and implementing lessons learned from the first migration into planning for the second migration.

The second migration was successfully completed in November 2020 in line with the revised timeline set out in response to the change in circumstances arising from the COVID-19 pandemic. A key focus was to manage any consequent impact on

STRATEGIC REPORT (continued)

independent financial adviser firms' resource availability. This migration covered the majority (c.70%) of total platform assets and c.2,000 adviser firms, including all network firms supported by Quilter Financial Planning. The successful completion of this migration meant that by the end of 2020, c.80% of assets administered by UK Platform were running on new technology.

The final migration of the remaining assets completed, as planned, during a full UK lockdown just after year-end in February 2021. Around 5,500 adviser firms were involved in the final migration. The Company believes those advisers will find the new platform proposition compelling and that a successful migration will be a gateway to a stronger business relationship over time.

The new Platform will be central to delivering the Company's ambitions. It combines the unique attributes of the old Platform including renowned adviser tools and very high service levels, and facilitates market-leading functionality, a broader product range, improved ease of use and greater IT resilience.
With the completion of PTP, the new Platform will improve cohesion between other business areas within Quilter plc, bringing advice-led, wealth solutions to clients through the most appropriate channel: an omni-channel approach.

Near-term opportunities linked to the new Platform include:
– attracting a greater share of platform business from Quilter restricted financial planners,
– targeting a wider base of advisers in the open market independent financial advisers channel,
– accessing a broader market of clients,
– continuing to broaden the suite of solutions provided by Quilter Investors available on the Platform,
– growing the Company's reach through discretionary investment management.

Further growth opportunities in the longer term will be through providing new ways for customers to access the digitally-ready platform, helping broaden how advisers can service their clients.

KEY PERFORMANCE INDICATORS (KPIs)
Table A shows the key performance indicators the Company uses to manage business performance. The Company assesses its financial performance using a variety of alternative performance measures (APMs). APMs are not defined by the relevant IFRS financial reporting framework, but the Directors use them to provide greater insight into the financial performance, financial position and cash flows of the Company and the way it is managed. APMs should be read together with the IFRS income statements, IFRS statement of financial position and IFRS statement of cash flows, which are presented in the financial statements on pages 18 - 22. Further details of APMs used by the Company are provided below.

APM	Definition
Adjusted profit (AP)	Represents the adjusted profit before tax of the Company. It adjusts IFRS profit for key adjusting items and excludes non-core operations, the quantum of these are shown in table B. Due to the nature of the Company's businesses, we believe that adjusted profit is an appropriate basis by which to assess the Company's underlying operating results and it enhances comparability and understanding of the financial performance of the Company.
Gross sales	Gross sales are the gross client cash inflows received from customers during the period and represent our ability to increase assets under administration and revenue.
Assets under administration	Represents the total market value of all financial assets managed and administered on behalf of customers and excludes shareholder assets.
Net client cash flow (NCCF)	The difference between money received from and returned to customers during the relevant period for the Company or for the business indicated. This measure is considered to be a lead indicator of reported net revenue.
Return on assets	An indicator of how profitable the company is, relative to its total assets.

The Company achieved gross sales of £2.2bn (2019: £2.2bn), with flat sales versus prior year caused by the COVID-19 pandemic. NCCF was £42.2m in 2020 (2019: negative £583.3m). The movement in NCCF was an impact of the pandemic, where client led withdrawals were lower, as clients have chosen to stay invested during the worst periods of the market downturn and additionally the national lockdowns have restricted consumer spending, thereby reducing withdrawals.

STRATEGIC REPORT (continued)

Assets under administration have increased to £28.2bn from £26.7bn at the previous year end due to strong fund performance.

The business continues to be profitable on an adjusted profit basis. The Company's post-tax adjusted profit has decreased by £2.1m to £6.3m in 2020. Although the Company benefited from favorable market movement, this was offset by the impact of a platform reprice that came into effect from 6th April 2020. On an IFRS basis the business continues to make losses as a result of the expenditure incurred on the Platform Transformation Programme. These costs are regarded as one-off and transformational in nature and are therefore excluded from the adjusted profit results. On an IFRS basis the Company has made a loss of £9.4m in 2020 compared to £12.7m in 2019.

Table A: Key performance indicators:

	2020 £m	2019 £m
Gross sales	2,181.5	2,224.0
Net client cash flow	42.2	(583.3)
Assets under administration	28,210.8	26,658.7
Return on assets (calculated as IFRS adjusted profit after tax / total assets)	4%	6%
IFRS adjusted profit (AP) before tax	7.4	10.8
IFRS adjusted profit (AP) after tax	6.3	8.4
IFRS loss after tax	(9.4)	(12.7)

Table B: Reconciliation between IFRS adjusted profit before tax and IFRS loss after tax:

	2020 £m	2019 £m
IFRS adjusted profit before tax	**7.4**	**10.8**
Adjusting items	(19.3)	(29.8)
IFRS loss before tax	**(11.9)**	**(19.0)**
Total tax	2.5	6.3
IFRS loss after tax for the financial year	**(9.4)**	**(12.7)**

Adjusting items represent the Company's share of the Platform Transformation Programme spend of £19.3m (2019: £29.8m).

FINANCIAL POSITION AT THE END OF THE YEAR

The Company's total net assets have increased from £130.9m to £133.5m over the course of the year. During the year £12m (2019: £35m) of share capital was issued to cover the regulatory solvency impact from strategic developments in respect of the Platform Transformation Programme. Additionally, the Company made an unsecured, repayable on demand loan of £22m to its parent, Old Mutual Wealth Holdings Limited, during the year as part of the Group's working capital arrangements. There were no dividends paid in 2020 and 2019.

STATEMENT OF GOING CONCERN

The use of the going concern basis of accounting is considered appropriate, reflecting future expected profitability. An assessment of the impact of the COVID-19 pandemic 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.

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT

The Company is a wholly owned subsidiary of Quilter plc and therefore operates in line with the strategy, 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 2020.

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 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 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 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 ultimate parent company, in the long-term, by supporting the delivery of the Group's strategic priorities.

The Board, and where appropriate its Governance, Audit and Risk Committee, considers and discusses information from across the organisation to help it understand the impact of the Company's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

The Board received the following regular reports during 2020:

- Chief Executive Officer's Report: provides the CEO's summary views of the significant matters impacting the UK Platform business.
- Finance Report: updates the Board on the Company's financial performance against the Business Plan, prior year performance and other Key Performance Indicators.
- Chief Operating Officer's Report: this provides the Board with an update across Operations, covering Client Services, customer complaints, as well as people metrics such as staff engagement.
- Chief Risk Officer's Report: this report provides an update on the Second Line opinion on the material risks to which the Company is exposed.
- Customer Reports: these provide updates on customer outcomes, any changes to customer terms and conditions as well as monitoring of investment performance.
- Distribution Report: a regular performance update on gross and net client cash flows against the business plan, how the Company's products are performing and any relevant topics and influences impacting the market and sales.

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.

The following are some examples of how the Directors have had regard to the matters set out in section 172 (1) when discharging their duties:

The UK Platform Transformation Programme ('PTP') continued to be a major priority for the Company during 2020, with two successful client asset migrations completed by the business. By the end of 2020, c. 80% of UK Investment Platform assets had been migrated onto the new Platform technology, despite UK lockdowns. The Board received progress updates on the migration

STRATEGIC REPORT (continued)

preparatory work undertaken by management at regular Board meetings. They also scrutinised the work of both management and the outsourced provider of the new platform at dedicated PTP meetings held in the run-up to the client asset migrations, which were held in collaboration with the Quilter plc Board Technology and Operations Committee. Initial feedback from advisers has been positive and the Directors have continued to focus on ensuring customers and advisers are fully supported during the post-migration phase.

In response to the challenges that arose from the COVID-19 pandemic, Quilter and the Company's response to supporting its people, who all came under significant pressure during the UK lockdowns, was fast and effective. Operating plans were implemented that enabled all but a small list of essential staff to work remotely from home. This ensured that the UK Platform business could continue to operate, supporting both advisers and clients through a global pandemic. The CEO provided informal briefing sessions on a fortnightly basis to ensure the Board remained well briefed on the status of its people during the initial months of the pandemic. The Board kept the business' response to supporting its people under review throughout the period as well as receiving regular briefings on the operational resilience of the business, which were proven to be robust and easily adapted to remote working.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Profile

The Company is exposed to a number of risks as a result of its business model, including certain strategic, business, operational, financial and regulatory risks. The large and complex platform transformation programme was largely delivered during 2020, with the final elements delivered during February 2021. This has changed the risk profile of the Company, with many activities previously performed in-house now being undertaken by our outsource service provider FNZ and management of these services has therefore become a key area of focus.
In addition, almost all of the Company's Principal Risks and Uncertainties have been impacted to some degree by the COVID-19 pandemic. The Company continues to manage against its risk appetite with the aim of ensuring delivery of the long-term commitments to customers and shareholders.

The COVID-19 pandemic has also had a significant impact on economic output and customer behaviours in response to reduced incomes and job security and this may continue into 2021, especially if the efficacy and/or take-up rate of the vaccine is lower than anticipated and infection rates remain elevated. This in turn has affected markets and whilst these have partially recovered, the economic outlook remains uncertain. The potential for increased levels of unemployment and resultant lower levels of disposable income also has implications for future new business volumes. Market sentiment may also be affected by the increase in government borrowing and how this may shape government policy going forward. The pandemic has also necessitated a number of changes to working practices which were carefully monitored and managed to ensure that the company remained within its risk appetite. This has acted as a catalyst for the acceleration of a number of opportunities for improvements and may also result in changes to the way business is conducted in the future.

The Company expects regulatory risk to continue to be high. Following on from the Investment Platforms Market Study significant new requirements around the administration of re-registration of assets will be introduced in Q1 2021. In the medium-term (Q1 2022) there will be a new prudential framework for MiFID investment firms that directly impacts OMWL. We expect disruption to portfolio management processes driven by the likely introduction of a significant notice period between redemption requests and the date of trading for property funds. The Company continues to be transparent and responsive with the regulators to help manage and build these relationships.
The Company manages these risks through the Quilter Enterprise Risk Management framework, which includes a consistent set of risk definitions, policy suite and a risk strategy. A set of strategic risk appetite principles have been set. These principles provide the guidance on the Company's attitude toward key areas of risk and support the ongoing management and oversight of risk, and are supported by a series of more granular risk appetite statements, measures, policies and standards. The position against these principles is measured on a regular basis through the monitoring of underlying risk metrics. The risk appetite and measures are periodically reassessed to ensure it remains relevant in implementing the business strategy. Strategic risk appetite measures are in place and supported by more granular risk appetite measures and key risk indicators in key areas, which are also reviewed periodically. Stress and scenario testing is performed regularly to test the resilience of the business.

STRATEGIC REPORT (continued)

The key risks, summarised in the following table, are closely monitored by management and regularly reported to the Board.

Current impact and risk outlook	Risk mitigation and management actions
Economic environment The Company's principal revenue streams are asset-value related and as such the Company is 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 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.	Regular stress and scenario testing is carried out, which includes stresses and scenarios based on severe economic conditions and political events. These allow the Company to understand the impact of potential events on earnings, liquidity and capital resilience. The Company aims to ensure the cost base can flex to mitigate volatility in its revenues. Potential management actions to mitigate these impacts are subject to approval by the Old Mutual Wealth Limited Board. A group-wide programme is in place to actively monitor the risks of the UK's withdrawal from the EU and a number of actions have been taken to mitigate any implications for the Company and its customers.
Competitor and margin risk The Company is exposed to external margin pressure whereby competitive market changes may reduce the attractiveness of the proposition. If the proposition is not compelling, sustainable and profitable, then there is a risk the Company may not be able to meet its business plan targets and objectives.	The customer proposition has been designed to be competitive and meet customer needs. The delivery of the new platform infrastructure will further enhance capacity to respond to competitive market changes.
Customer and conduct risk Risks to customers are inherent within the Company's business model and can occur at any point in the customer journey or product lifecycle. Failure to ensure fair customer outcomes, either as a result of poor conduct, poor administration or products not performing as expected, has implications for our reputation and could result in loss of new and existing business, increased complaints and rectification costs, and regulatory censure. Customer and conduct risk is an area of increasing focus by regulators across the business.	Good customer outcomes are defined and processes are put in place to achieve these for customers. Product development starts from an understanding of customer needs and preferences and engages with customers in areas such as the ongoing development of customer communications. The Customer Outcomes Forum reviews any areas where customer outcomes may be affected significantly and ensures appropriate action is taken where that risk arises. The Group's Regulatory and Conduct Risk teams provide strong oversight, challenge and advice to the business. The Code of Conduct, reinforced by mandatory training, sets out expectations of all staff.

STRATEGIC REPORT (continued)

Current impact and risk outlook	Risk mitigation and management actions
Delivery of strategic change initiatives The Company faces execution risk from the implementation of the business strategy. This includes the delivery of new platform infrastructure and IT enhancements to the existing platform infrastructure to ensure it remains fit for purpose until the migration to the new platform is complete. The delivery of strategic objectives necessitates increased likelihood of operational risk exposure, including increased third party risk as a result of the Platform Transformation Programme. This risk will reduce on completion of the platform transformation programme in early 2021.	In delivering strategic change initiatives, the Company actively seeks to identify, manage and control risk. Where the identified risk is, or may become, outside of the risk appetite, prompt and appropriate actions are taken to ensure the Company continues to maintain effective controls to deliver appropriate business and customer outcomes. The Company is fully engaged with regulators on the most significant change programmes to ensure that their requirements are met and to demonstrate that customers are at the forefront of the business. The Company has appropriate governance and control processes managed through the three lines of defence model to manage and mitigate this exposure. All material projects are subject to professional programme and project management processes. Change initiatives are delivered by first-line management with second-line oversight and challenge and third-line assurance. The Company also uses external business support, subject matter experts and assurance partners for significant change initiatives such as the Platform Transformation Programme. Improvements to supplier risk management processes are made continuously, to achieve strong outsourced supplier controls and governance in support of major change programmes.
People risk The Company relies on its talent to deliver its service to customers and to implement the broad range of strategic change initiatives that are currently being delivered. Failure to retain key staff or to attract suitable talent may impact the delivery of the strategy and may have an adverse impact on the Company's business, its financial and operational performance and the delivery of service to its customers. This risk has been heightened by the COVID-19 pandemic and the build up to the platform transformation and can limit the ability to recruit develop and retain high-quality people. In addition, resource stretch can increase key person dependency potentially adding further operational risk.	Risks to our people plan continue to be mitigated through a series of key actions. These include a monthly assessment of our core people metrics including engagement, absence and turnover. In addition, the core change programmes each have a people work stream focused on a range of areas such as communication and line manager upskilling. A significant programme has been rolled out to support staff during the COVID-19 pandemic and the period of transition as we progress through the phases of the platform transformation.

STRATEGIC REPORT (continued)

Current impact and risk outlook	Risk mitigation and management actions
Regulatory risk The Company is exposed to a high degree of regulatory change. While such change can present opportunities, it can increase costs and impact products and services. Following on from the Investment Platforms Market Study, in February 2021 a new set of obligations came in to force regarding the process for re-registration of assets. This will provide greater opportunity for clients to improve value for money. In January 2022 a new prudential framework for investment firms will come into effect. This will impact our capital and liquidity requirements plus our remuneration policy. A project manager has been appointed to manage the transition to the new regime. The FCA consulted on introducing a notice period for redemptions in property funds. If FCA implements such a measure in the future, this would have a disruptive impact on the management of portfolios as the periodic rebalancing of asset classes may not be possible in a timely manner nor based upon contemporary prices. The Company is exposed to the risk of not maintaining strong positive relationships with regulators. This is critical to the business.	Forthcoming regulatory change is reviewed to ensure the Company is well placed to make any changes required to comply fully when such changes are implemented. Work streams are set up to deliver the requirements of regulatory changes. The Company focuses on being transparent, responsive and proactive in dealings with regulators to help to manage and build these relationships. The compliance framework is overseen at a Group level by the Quilter Board Risk Committee which derives its authority from Quilter plc, and at a local level by the Governance, Audit and Risk Committee of Old Mutual Wealth Limited.
Information/Cyber security risk The Company's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, some of which is highly sensitive. The Company is subject to the risk of information security breaches from parties with criminal or malicious intent. Should the Company's intrusion detection and anti penetration software not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on the Company's customers, business, financial condition, operations and reputation.	The Company continues to review and enhance security risk framework by ensuring it has controls to manage and mitigate this key risk. Monitoring of market experience, awareness campaigns and penetration testing exercises are performed to identify security vulnerabilities within the Security Risk Framework and ensure appropriate plans are in place to mitigate any weaknesses that are identified.
Information technology risk: The Company is highly dependent on its technology infrastructure and applications to perform necessary business functions, including to support the provision of services to customers. Failure to manage this risk could have a material adverse impact on the Company's business, financial condition, results of operations and prospects and reputation. This risk has reduced as a result of the migration of the majority of customers to the FNZ platform.	The Company has defined and tested resilience plans in place and systems are actively monitored to identify issues in a timely manner. IT estate management programmes are in place to ensure systems remain supported and fit for purpose. The Company has documented IT policies and standards and compliance with these is monitored on a regular basis. A large element of this risk transfers to third party risk with the completion of the platform transformation programme.

STRATEGIC REPORT (continued)

Current impact and risk outlook	Risk mitigation and management actions
Third Party outsourcing risk: The Company procures certain services from third parties. If the Company does not effectively oversee its third parties, technological or other problems are experienced with its third-party providers, or third parties do not perform as anticipated, the Company may not realise productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and loss of business, customer detriment and damage to its reputation. This risk has increased as a result of the Platform Transformation Programme and consequential transfer of the impact of risks to FNZ as a critical outsourcer.	In order to manage these risks effectively and consistently across the Group, Quilter has defined a Third Party Risk Management Framework that includes a policy and standards that apply to both external and intra-Group outsourcing. The embedding of the framework, policy and standards is in progress. Key risk areas and service performance are overseen by various Joint Governance Forums between the Company and FNZ.
Coronavirus The World Health Organisation designated the COVID-19 coronavirus as a global pandemic on 11 March 2020. The health and welfare of our employees and the support we can give to our customers and advisers in these uncertain times will always be our top priorities. The COVID-19 pandemic has led to major disruption to businesses and economic activity globally which has resulted in volatility in global stock markets. Although the development and roll-out of vaccines is underway, the outlook for global economic growth and investor sentiment remains uncertain and this has implications for future revenues and profitability. Notwithstanding short-term market sentiment, we remain optimistic on the long-term opportunity across our markets and the Quilter Group is strategically well positioned to benefit from this.	Significant activity has been undertaken to ensure customers and advisers are able to continue to access systems and support and to ensure the health and safety of staff. Staff have been encouraged to work remotely where possible and there has been major investment in secure remote working capabilities. Where staff are required to work on-site, appropriate measures have been taken to ensure buildings are COVID secure. A programme to provide support to employees has also been implemented.

Emerging risk radar

Old Mutual Wealth Limited 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.

Short term:

Pandemic evolution

The resurgence of the Pandemic in late 2020 and early 2021 is causing further economic pressure as well as direct impacts on our customers, people and operations. The rapid roll-out of the vaccine 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. The Company's NCCF, AuM, profitability and free cash levels could be materially affected by an extended or volatile economic recovery.

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. The cyber risk landscape is made more complex by the current remote working environment.

Margin pressure

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

STRATEGIC REPORT (continued)

Medium term:

Political & regulatory change

Changes in regulation resulting from the shifting expectations of our regulators & the UK's withdrawal from the EU could have a material impact on the Company. There is also potential for income, wealth and corporation tax rises needed to restore public finances following the pandemic. For example, tax changes affecting customer wealth could impact NCCF and AuM.

Climate change/ESG

Increased frequency of climate-related risk events or a disorderly transition to a low carbon economy could give rise to additional costs, adversely impact asset values and impact investment performance. The acceleration of government, regulatory and corporate activity in support of meeting climate change targets requires Quilter to develop and enhance its approach to identification and management of the financial risks of climate change, including enhancements to disclosures, investment strategies and operations.

There is increasing focus on sustainability and sustainable investing; bringing opportunity but also increased pressure from investors and customers to bring demonstrable change.

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 the Company's market share.

Longer term:

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 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 additional challenge to the Company's target market. There is a risk of strategic failure to adapt to future customer needs.

On behalf of the Board

S V Wood
Director
9 March 2021

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

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS
The review of the business and principal risks and uncertainties are disclosed within the strategic report.

DIRECTORS
The Directors of the company who were in the office during the year are listed below. The names of the current directors are listed on page 1.

S D Levin	(Chief Executive Officer)
A M Barnes	
J E Gill	
S K Goodsir	(resigned 1 February 2021)
G M Reid	
S V Wood	

QUALIFYING THIRD-PARTY INDEMNITIES
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.

DIVIDENDS
During the year no dividends were remitted to Old Mutual Wealth Holdings Limited (2019: £nil).

EMPLOYEES
The Company has no employees (2019: nil). As stated in note 21, management services are provided by Quilter Business Services Limited, a fellow subsidiary undertaking.

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).

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

An explanation of how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers 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.

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

DIRECTORS' REPORT (continued)

The Board benefits from strong representation of independent Non-executive Directors who would be considered independent under the Code but during the financial year did not represent a majority on the Board. There is a clear division of responsibilities on the Board with the roles of the Chairman and the executive directors being clearly articulated in the Board Charter adopted by the Board.

The composition, succession plans and evaluation of the Board are overseen by the Quilter plc Board Corporate Governance and Nominations Committee. The Board has established a Governance, Audit & Risk Committee whose responsibilities include risk oversight, review of internal controls, review of financial reporting and the governance framework for the business. The Board has not established a Remuneration Committee or a Nominations Committee as the functions of such committees in relation to the Company are discharged at Quilter plc level.

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;
- 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; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has been appointed by the Company to hold office in accordance with s.485 of the Companies Act 2006.
PricewaterhouseCoopers LLP have also indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors.

By order of the Board

S V Wood
Director
9 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 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.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent 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 MEMBERS OF OLD MUTUAL WEALTH LIMITED

Report on the audit of the financial statements

Opinion
In our opinion, Old Mutual Wealth 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 Cash flows and the Statement of Changes in Equity 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 and European 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OLD MUTUAL WEALTH LIMITED (continued)

We also considered those laws and regulations that 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 manipulating growth in pre tax profits through posting journals to either overstate revenue or understate expenditure. Audit procedures performed included:

- Discussions with the Governance, Audit and Risk Committee and senior management including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing correspondence with the Financial Conduct Authority and HMRC in relation to compliance with laws and regulations;
- Reviewing Board minutes as well as Governance, Audit and Risk Committee meeting minutes;
- Assessment of matters reported on the Quilter plc's whistleblowing register that relate to the company, including the quality and results of management's investigation of such matters.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, such as a credit to revenue and a debit to the statement of financial position (other than to expected accounts, being contract assets and cash), which may be indicative of the overstatement or manipulation of revenue.

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.

HGrainger

Helen Grainger (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
9 March 2021

INCOME STATEMENT
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
REVENUE			
Investment contracts			
Fee income and other income from service activities	4	73.8	79.1
Other revenue			
Investment return	5	0.1	0.6
Other income		0.4	0.5
TOTAL REVENUE		74.3	80.2
EXPENSES			
Commission expenses	6	-	0.5
Change in contract costs	11	(0.8)	(0.6)
Administrative expenses	7	(85.4)	(99.1)
TOTAL EXPENSES		(86.2)	(99.2)
LOSS BEFORE TAX		(11.9)	(19.0)
Taxation	9	2.5	6.3
LOSS FOR THE YEAR		(9.4)	(12.7)
Attributable to equity holders		(9.4)	(12.7)

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

The notes on pages 23 to 47 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	2020 £m	2019 £m
LOSS FOR THE YEAR	(9.4)	(12.7)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		
All attributable to equity holders	(9.4)	(12.7)

The notes on pages 23 to 47 are an integral part of these financial statements.

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

	Share capital £m	Capital contributions £m	Retained losses £m	Total equity-holders' funds £m
Balance at 1 January 2019	59.4	218.5	(169.3)	108.6
Total comprehensive loss for the year	-	-	(12.7)	(12.7)
Issue of share capital	35.0	-	-	35.0
Balance at 31 December 2019	94.4	218.5	(182.0)	130.9
Total comprehensive loss for the year	-	-	(9.4)	(9.4)
Issue of share capital	12.0	-	-	12.0
Balance at 31 December 2020	106.4	218.5	(191.4)	133.5

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

The notes on pages 23 to 47 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2020

	Notes	2020 £m	2019 £m
ASSETS			
Contract costs	11	2.2	3.0
Investments in collective investment schemes	12	0.9	2.9
Current tax assets		3.7	6.1
Deferred tax assets	17	2.2	2.0
Other receivables	13	35.0	10.3
Cash and cash equivalents	14	97.7	119.2
Total assets		141.7	143.5
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15	106.4	94.4
Capital contributions		218.5	218.5
Retained losses		(191.4)	(182.0)
Total equity attributable to equity holders		133.5	130.9
LIABILITIES			
Other provisions	18	0.1	-
Other payables	19	8.1	12.6
Total liabilities		8.2	12.6
Total equity and liabilities		141.7	143.5

The notes on pages 23 to 47 are an integral part of these financial statements.

The financial statements on pages 18 to 47 were authorised and approved by the Board of Directors on 9 March 2021 and signed on its behalf by:

S V Wood
Director

Company registered number: 01680071

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	2020	2019
	£m	£m
OPERATING ACTIVITIES		
Client fee income and fund based fees	73.5	78.7
Net cash paid to clients and service providers	(87.8)	(111.0)
Net amount of funding repaid by clients	1.6	1.5
Other	(3.7)	(3.2)
Taxes received	4.6	6.6
Net cash used in operating activities	(11.8)	(27.4)
INVESTING ACTIVITIES		
Interest received	0.3	0.6
Loan to parent company issued	(22.0)	-
Net cash (used in) /from financing activities	(21.7)	0.6
FINANCING ACTIVITIES		
Issue of share capital	12.0	35.0
Net cash from financing activities	12.0	35.0
Net (decrease) / increase in cash and cash equivalents	(21.5)	8.2
Cash and cash equivalents at beginning of the year	119.2	111.0
Cash and cash equivalents at end of the year	97.7	119.2

The notes on pages 23 to 47 are an integral part of these financial statements.

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

1 GENERAL INFORMATION

Old Mutual Wealth Limited ("the Company") is a private limited company 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared and approved by the Directors in accordance with Part 15 of the Companies Act 2006, Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments, which are recognised at fair value. They have been prepared in sterling and are rounded to the nearest hundred thousand pounds. These are separate financial statements as the Company has elected under the Companies Act s.400 not to prepare consolidated financial statements.

The Directors have considered the resilience of the Company, taking into account its current financial position, the principal risks facing the business and the effectiveness of the mitigating strategies which are or will be applied. An assessment of the impact of the COVID-19 pandemic on the going concern for the Company has been completed, concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months. This assessment was based on the most recent management approved three-year profit forecasts, and incorporated scenarios that reflected the impact of significant decreases in equity market levels and net client cash flows. As a result, the Directors believe that the Company is well placed to manage its business risks in the context of the current economic outlook and have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these financial statements, and continue to adopt the going concern basis in preparing the financial statements.

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

New standards, amendments to standards, and interpretations adopted in these 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 Company from 1 January 2020 with no material impact on the Company's results, financial position or disclosures:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes 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.

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 Company's annual accounting periods beginning on or after 1 January 2021. The Company has not early adopted these standards, amendments and interpretations, and it is not expecting significant impact following implementation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant changes in the current reporting period
On 11 March 2020, COVID-19 was recognised by the World Health Organisation as a global pandemic. The COVID-19 pandemic has caused widespread uncertainty and has impacted global supply chains, global market growth and potentially employee availability in the future.

The Company reviewed its financial budgets and operating plans in response to the challenges arising from the COVID-19 pandemic and the unpredictable operating outlook. The Company is operationally resilient and remains focused on completing its principal strategic projects. The continued volatility in financial markets is creating a challenging revenue environment and the Company has updated its future cash flows accordingly.

The recoverable amount of deferred tax assets has been reassessed based on the taxable profits contained in the most recent Board approved three-year forecasts which, as noted above, incorporate market levels and assumptions that reflect the impact of the COVID-19 pandemic and concluded that the Company has sufficient future taxable profits and reversal of taxable temporary differences to support the deferred tax asset.

The Company did not use the support measures made available to companies by the UK Government.

There have been no major changes to the Company's capital and financial risk management as a result of the COVID-19 pandemic. The capital and financial risk management disclosures are included within note 3.

Critical accounting estimates and judgements
The preparation of financial statements requires management to exercise judgement in applying significant accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that 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 actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ from those estimates.

The Board reviews the reasonableness of judgements and estimates applied and the appropriateness of significant accounting policies adopted in the preparation of these financial statements. The area where an estimate has the most potential to significantly effect the amounts recognised in these financial statements is summarised below:

Area	Critical accounting estimate	Note
Deferred tax measurement	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under administration, which are subject to a large number of factors including worldwide stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Company assesses recoverability based on estimated taxable profits over a 3 year planning horizon. Where credible longer term profit forecasts are available the Company may assess recoverability over a longer period, subject to a higher level of sensitivity testing.	17

This estimation in the current year is not deemed to be a significant estimate, however, in previous years it has been material and could be material in the future and as such this disclosure remains in the current year accounts.
This is discussed in more detail in the relevant accounting policy and notes to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs
Incremental costs, that are directly attributable to securing investment contracts are deferred and recognised as contract costs if they can be identified separately and measured reliably and it is probable that the costs will be recovered. Contract costs are linked to the contractual right to benefit from providing investment management services, they are therefore amortised through the income statement as the related revenue is recognised. The period of amortisation is 5 years, which reflects the average number of years that policies stay within the business.
After initial recognition, contract costs are reviewed by category of business and are impaired to the extent that they are no longer considered to be recoverable. All other costs are recognised as expenses when incurred.

Financial instruments
Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and certain financial liabilities, including 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 the liability is extinguished.

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. 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 or loss ("FVTPL").

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

Subsequent 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, equity securities and debt securities 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.

Investments in collective investment schemes comprise the Company's short-term holdings of units, resulting from daily transactions between the Company and its clients.

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

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

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

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

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

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

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, intercompany 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 financial assets that are measured at amortised cost:
• Trade receivables (excluding loan) 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.

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 ECL, 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)

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.

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

Client money and client assets
The Company holds money on behalf of clients in accordance with the Client Money Rules of the Financial Conduct Authority. Such client monies and other client assets held via its nominee subsidiary are not reflected in the statement of financial position as the Company is not beneficially entitled to them.

Fee income
Fee income and other income from service activities represents the fair value of services provided, net of value-added tax. Fees are charged periodically based on the market valuation of the investment contracts. They are calculated and recognised on a daily basis in line with the provision of investment management services.

Investment gains and losses
Realised investment gains and losses represent the difference between the net sales proceeds and the cost of the investment. The movement in unrealised investment gains and losses represents the difference between the carrying value of investments at the year-end 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.

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

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

Other expenses
All other expenses are recognised in the income statement as a cost when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Current tax

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

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

Deferred tax

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

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

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

Capital contributions

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

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES

Risk management framework
The Company has adopted the Quilter Enterprise Risk Management ("ERM") framework as articulated in the Quilter Risk Notes to the Accounts, which encompasses a number of elements, including: governance arrangements; end-to-end processes to facilitate the identification, measurement, assessment, management, monitoring and reporting of risk; and the incorporation of culture and behaviour in 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 and 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 on a continuous basis within the approved risk appetite. An important element to risk management is a good management culture of risk informed decision-making. Risk management is linked to employee performance and development, as well as to remuneration and reward schemes. An open and transparent working environment which encourages all employees to embrace risk management is critical to the achievement of strategic priorities.

The risks faced by the Company are described below:

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

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

The credit risk arising from all exposures is mitigated through ensuring the Company only enters into relationships with appropriately robust counterparties, adhering to the Credit Risk Policy. For each asset, consideration is given as to:
- the credit rating of the counterparty, which is used to derive the probability of default;
- the potential recovery, which may be made in the event of default; and
- any second order risks that may arise where the firm has collateral against the credit risk exposure.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2020, the Company's material credit exposures were to financial institutions, corporate entities (including external fund managers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to Eurozone sovereign debt (outside of the UK) within the Company's investments.

The Company has no significant concentrations of credit risk exposure.

Investment of the Company's funds
The risk of counterparty default in respect of the investment of the Company's funds is managed through:
- setting minimum credit rating requirements for counterparties;
- setting limits and key risk indicators for individual counterparties and counterparty concentrations;
- monitoring exposures regularly against approved limits; and
- ongoing monitoring of counterparties and associated limits.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Other credit risks
The risk of default by financial advisers is managed through monthly monitoring of loan and commission debt balances and the establishment of a net provision, when considered appropriate.

The Company is exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

Legal contracts are maintained where the Company enters into credit transactions with a counterparty.

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

Maximum exposure to credit risk
The Company's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the accounts. Credit ratings for financial instruments are enclosed in the relevant notes. The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

Market risk
Market 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.

Market risk arises primarily through potential reductions in future revenues. This may occur due to a fall in the value of underlying assets as a result of fluctuations in equity prices, bond prices, property prices, interest rates and foreign exchange rates.

The Company has adopted the Quilter 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 Company does not undertake any principal trading for its own account. The Company's revenue is however affected by the value of assets under management and consequently it has exposure to equity market levels and economic conditions. Scenario testing is undertaken to test the resilience of the business to severe but plausible events and to assist in the identification of management actions.

Market risk arises from exposure to movements in interest rates, bond, equity and property values and foreign exchange rates.

Interest rate risk
A rise in interest rates would cause an immediate fall in the value of investments in fixed income securities within clients' funds, resulting in a fall in fund based fees. The Company holds no fixed income securities itself and so direct interest rate risk is negligible. However, assuming that the business continues to grow, a rise in interest rates would enable a higher return on new investments, which in turn would cause client investments' values to grow more quickly and so fund based fees may be higher in the longer term.

Exposures of the IFRS income statement and equity within the statement of financial position to interest rates are summarised in sensitivities later in this section.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

Interest rates applicable to interest bearing financial instruments as at the reporting date:

	2020 Variable	2019 Variable
Assets		
Deposits with credit institutions	0.01%	0.47%

Equity and property price risk
In accordance with the market risk policy, the Company does not invest assets in equity or property assets (or related collective investments) except where the exposure arises to temporary, short term holding of collectives in respect of fees due from clients. Exposure to this risk is immaterial.

The Company derives revenues (e.g. annual management charges from clients) which are linked to the performance of the underlying assets. Therefore, future earnings will be affected by equity and property market performance.

Sensitivity of profit to changes in equity and property prices is given in the sensitivity analysis later in this section.

Currency risk
The Company is not exposed to direct foreign exchange risk and holds no foreign currency balances. However, the Company is exposed to foreign exchange risk indirectly through fund based fees derived from client funds which hold assets denominated in foreign currencies. Therefore, a movement in exchange rates would affect the value of future fund based fees received by the Company.

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

The Company manages liquidity on a daily basis through:
- maintaining adequate high quality liquid assets and banking facilities that are readily available, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows: and
- monitoring a number of key risk indicators to help in the identification of a liquidity stress.

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

Throughout the COVID pandemic experienced in 2020 the Company has operated above its individual liquidity targets and there were no new liquidity stresses identified over this period to include in the liquidity monitoring process. Daily liquidity updates continue to be in place across the group to enable timely identification of any emerging issues.

Liquidity is monitored centrally by Group Treasury, with management actions taken at a business level to ensure each company has liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of liquidity stresses that are greater than their risk appetite. Contingency Funding Plans are in place for each individual business in order to set out the approach and management actions that would be taken should liquidity levels fall below minimum liquidity requirements. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Information on the nature of the investments and securities held is given in note 12.

Maturity schedule
The maturity dates of liabilities are shown below.

	<3 months	3-12 months	1-5 years	>5 years	Total
	£m	£m	£m	£m	£m
2020:					
Amounts due to fellow group undertakings	0.4	-	-	-	0.4
Other payables	7.7	-	-	-	7.7
	8.1	-	-	-	8.1
2019:					
Amounts due to fellow group undertakings	0.0	-	-	-	0.0
Other payables	12.6	-	-	-	12.6
	12.6	-	-	-	12.6

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 all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies. Operational risk includes the effects of failure of administration processes, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), risks relating to the relationship with third party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

Operational risks are managed in accordance with the Group Operational Risk Policy and related standards consistent with the Enterprise Risk Management Framework, which has been adopted by the Company. Operational risk exposure is measured primarily through scenario assessments which use internal and external loss event data, Risk and Control Self-Assessments, and expert judgment provided by the key subject matter experts. Resultant exposures are evaluated against the Company's risk appetite which is the process that drives operational risk reporting and management action.

In accordance with group policies, management have primary responsibility for the identification, assessment, management and monitoring of risks, and the escalation and reporting on issues to executive management.

The Board has responsibility for implementing the Group Operational Risk management methodologies and frameworks and for development and implementation of action plans to manage risk levels within acceptable tolerances and to resolve issues identified.

Investment contract risk

Investment contract risk arises through exposure to unfavourable operating experience in respect of factors such as persistency levels and management expenses relative to the assumptions made when pricing contracts, which may prevent the firm from achieving its profit objectives.

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

The sensitivity of the Company's earnings and capital position to investment contract risks is monitored through the Group's capital management processes.

Persistency

Persistency risk is the risk that the rate at which customers withdraw their funds and cease paying regular premiums exceeds the expectation when preparing the business plan. Excessive withdrawals and regular premium cessations can result in a reduction in profits in future years.

Persistency risk is managed through focus on customer service, conduct, and reputation and statistics are monitored monthly to identify emerging trends.

In the short term, profit is not materially impacted by those changes in persistency experience that are reasonably foreseeable.

Expenses

Expense risk is the risk that actual expenses exceed the levels expected when preparing the business plan.
Expense levels are monitored quarterly against budgets and forecasts. Expense drivers are used to allocate expenses to entities and products.

Risk and capital management

The potential impacts on the capital resources and future profits of the Company are assessed regularly. Market and investment contract risks are assessed through stress tests applied to business plan financial projections by varying assumptions for future experience. Operational risks are assessed using scenario based risk assessments, constructed using expert judgment supplemented by review of the risk control processes in place, internal and external event data, key risk indicators and internal audit reports. Credit risks are assessed by determining the financial exposure to material counterparties and the likelihood of default of these counterparties. Credit ratings are used to assess the likelihood of default.

The Group Capital Management policy sets out the key considerations and restrictions with regard to the amounts of capital that is retained.

Capital is managed to the Company's solvency target which is set to ensure that the business maintains capital in excess of the Regulatory Capital Requirement and to maintain working capital to provide for fluctuations in experience, in particular in respect of new business volumes. The Company regards the regulatory statutory capital resources of £129.1m (unaudited) (2019: £126.0m unaudited) as capital. The regulatory capital requirements have been met throughout the year.

The Internal Capital Adequacy Assessment Process (ICAAP) is used to assess the level of capital which should be retained by the Company. It is a consolidated assessment for the investment and advice firms within the Group. 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. Capital resources are then allocated appropriately within the entities forming the ICAAP group taking into account the risks faced by each business.

The Company uses a variety of metrics to monitor its capital position including IFRS capital and reserves, which are £133.5m as at 31 December 2020 (2019: £130.9m).

3 RISK MANAGEMENT FRAMEWORK AND RISK EXPOSURES (continued)

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.

Interest rate risk
The impact of an increase and decrease in market interest rate of 1% is tested (e.g. if the current interest rate is 5%, the test allows for the effects of an instantaneous change to 4% and 6% from the reporting date). The test allows consistently for similar changes in investment returns. The sensitivity of both profit and shareholder's equity to interest rates is provided.

A decrease in interest rate by 1% would have increased the loss and reduce shareholder's equity by £0.9m after tax (2019: £0.6m); an equal change in the opposite direction would have decreased the loss by £0.2m after tax (2019: £0.1m). The reduction in the shareholder element is limited to the amount of interest received i.e. it cannot be less than 0%, as the Company only has bank balances currently attracting interest of 0.01%, therefore rates can only be reduced by 0.01%.

Market risk
A 10% movement in assets under administration would impact the annual fee income and rebates received from unit trust managers. There are no impacts on the balances in the statement of financial position. 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 administration is £10.0bn, the test allows for the effect of an immediate change in assets under administration to £9.0bn and to £11.0bn).

A decrease of 10% in assets under administration would have increased the loss and reduced shareholder's equity by £6.0m (2019: £6.4m) after tax while an increase of 10% in assets under administration would have reduced the loss and increased shareholder's equity by £6.0m after tax (2019: £6.4m).

Expenses
The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts. The only administrative expenses that are deferrable are sales bonuses but as new business volumes are unchanged in this sensitivity, sales bonuses and the associated deferrals have not been increased, therefore there are no impacts on the statement of financial position balances. 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 increased the loss by £6.9m after tax (2019: £8.0m).

4 FEE INCOME AND OTHER INCOME FROM SERVICE ACTIVITIES

	2020 £m	2019 £m
Investment contracts		
Fund based fees	73.8	79.1

5 INVESTMENT RETURN

	2020 £m	2019 £m
Total interest and similar income		
Cash and cash equivalent	0.1	0.6

6 COMMISSION EXPENSES

	2020 £m	2019 £m
Renewal commission	-	0.5
	-	0.5

The prior year amount of £0.5m represented the write back of commissions in relation to brokers no longer in operation.

7 ADMINISTRATIVE EXPENSES

	2020 £m	2019 £m
Administrative expenses	85.4	99.1
Administrative expenses include:		
Management fees paid to fellow group undertakings (see note 21)	84.6	98.0
Of which:		
Auditors' remuneration: services paid to PwC LLP (2019: KPMG LLP)	0.5	0.4

Amounts paid to PwC LLP (2019: KPMG LLP) were in respect of statutory audit fees of £0.2m (2019: £0.4m), and for other audit related assurance services of £0.3m (2019: nil).

8 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 charged by Quilter Business Services Limited, the employing entity of the directors, payable to fellow subsidiary undertakings shown in note 7.

	2020 £m	2019 £m
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	0.6	0.6
Aggregate share based payments	0.6	0.4

2 directors had money paid to money purchase schemes during the year (2019: 3).

3 of the directors, including the highest paid director received or were due to receive shares or share options in Quilter plc under a long term incentive scheme (2019: 3, including the highest paid director). 3 directors (2019: 3) exercised options during the year.

Shares or share options were in Quilter plc shares for the period from listing date onwards.

	2020 £m	2019 £m
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	0.3	0.2

The highest paid director did (2019: did not) exercise share options during the year.

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

9 TAXATION

	2020 £m	2019 £m
Current year corporation tax credit	(2.2)	(3.6)
Prior year corporation tax credit	(0.1)	(3.7)
Deferred tax (credit)/charge	(0.2)	1.0
Total tax credit	(2.5)	(6.3)

	2020 £m	2019 £m
The total tax credit for the year can be reconciled to the accounting profit as follows:		
Loss before tax	(11.9)	(19.0)
Tax on loss at the applicable tax rate, 19.00% (2019: 19.00%)	(2.3)	(3.6)
Effect of:		
Expenses not deductible for tax purposes	0.1	0.1
Prior year corporation tax credit	(0.1)	(3.7)
Prior year adjustments to deferred tax	-	0.6
Effect on deferred tax for changes in tax rates	(0.2)	0.3
Total tax credit	(2.5)	(6.3)

The main rate of corporation tax is 19% (2019: 19%). The reduction to 17% due to come into effect from 1 April 2020 was cancelled.

10 INVESTMENTS IN SUBSIDIARIES

Old Mutual Wealth Limited holds all ordinary shares of Old Mutual Wealth Nominees Limited. The investment is valued at original cost of £2 (2019: £2) and due to materiality it is not shown separately on the statement of financial position.

Old Mutual Wealth Nominees Limited is incorporated in England & Wales and its registered office address is: Old Mutual House, Portland Terrace, Southampton, SO14 7EJ.

The subsidiary holds investments on behalf of the clients of Old Mutual Wealth Limited in a nominee capacity. It did not trade during the current or prior year and consequently there are no results or dividends in either year. This is expected to continue for the foreseeable future.

11 CONTRACT COSTS

	2020 £m	2019 £m
Opening balance	3.0	3.6
Capitalisation of contract costs	0.4	0.7
Amortisation of contract costs	(1.2)	(1.3)
Change in contract costs	(0.8)	(0.6)
Closing balance	2.2	3.0
Current	1.0	1.2
Non-current	1.2	1.8
	2.2	3.0

The recoverability of contract costs is impairment tested with reference to the present value of estimated future profits at the reporting date calculated using actuarial methodology and assumptions. No impairment was required in the current or prior year.

12 INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES

	2020 £m	2019 £m
At FVTPL		
Investments in collective investment schemes (mandatorily at FVTPL)	0.9	2.9

These investments are individually insignificant and collectible within 12 months of the reporting date. Therefore any difference between cost and fair value is minimal. The net gain on these investments is included in the income statement within other income.

13 OTHER RECEIVABLES

	2020	2019
	£m	£m
Due from fellow group undertakings (see note 21)	27.1	1.0
Trade debtors	4.2	5.9
Prepayments and accrued income	2.7	0.1
Contract assets	1.0	3.3
	35.0	10.3

Trade debtors principally comprise amounts due from clients.

Amounts due from group companies are unsecured and interest free, apart from a £22m loan issued to Old Mutual Wealth Holding Limited in December 2020.
The loan is unsecured, repayable on demand and recognised at amortised cost. The loan attracts a commercial rate of interest based on LIBOR plus margin. During the year to 31 December 2020 the loan accrued approximately £nil of interest.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. 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 amounts are current.

Contract asset balances represent estimated accrued annual management charges (AMC) for those policies remaining on the legacy platform, where the charge is applied on the policy anniversary. This balance has reduced compared to 2019 as a result of the policy migrations to the new FNZ platform.
For those policies on the FNZ platform, the income calculation is performed based on daily fund values, and so the receivable balance is recognised as accrued income.

14 CASH AND CASH EQUIVALENTS

	2020	2019
	£m	£m
Bank balances	70.9	47.4
Money market OEIC investments	26.8	71.8
Cash and cash equivalents	97.7	119.2

All cash and cash equivalents are current, and recognised at amortised cost, apart from money market OEIC investments, which are recognised mandatorily at FVTPL.

Investments in money market OEICs are classified as cash and cash equivalents. Management hold these investment funds for short term liquidity purposes. The funds are highly liquid, have an AAA credit rating and a very low risk of reduction in value. Bank balances are all credit rated AA and A.

Bank overdrafts are used to fulfil short term liquidity needs and are repayable on demand. Individual bank accounts are permitted to be overdrawn subject to the aggregate balance across all accounts being at least zero.

15 SHARE CAPITAL

	2020 £m	2019 £m
Allotted, called up and fully paid		
106,430,000 (2019: 94,430,000) ordinary shares of £1 each	106.4	94.4

On 14 of April 2020 the Company issued 12,000,000 ordinary shares of nominal value of £1.00 each.

In 2019 the Company issued the following number of ordinary shares of nominal value of £1.00 each: the issue of 10,000,000 ordinary shares approved on 25 March 2019 and 25,000,000 ordinary shares approved on 23 July 2019.

16 FINANCIAL INSTRUMENTS AT FAIR VALUE

Fair value hierarchy

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

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2020				
Financial assets at fair value through profit or loss				
Investments in collective investment schemes	0.9	-	-	0.9
Money Market OEIC investments	26.8	-	-	26.8
2019				
Financial assets at fair value through profit or loss				
Investments in collective investment schemes	2.9	-	-	2.9
Money Market OEIC investments	71.8	-	-	71.8

Structured entities

The table below summarises the types of structured entities in which the Company holds an interest:

Type of structured entity	*Nature*	*Purpose*	*Interest held by the Company*
Investments in collective investment schemes	Manage company funds through the investment in assets	Generate fees from managing assets	Investment in units issued by the fund

Investments in unconsolidated structured entities

The table below sets out the shareholder investments held by the Company in unconsolidated structured entities. This represents the ownership of collective investment vehicles that have a narrow and well defined objective. The maximum exposure to losses is equal to the carrying amount of assets held.

	Investment securities £m
As at 31 December 2020:	
Investments in collective investment schemes	0.9
Money market funds	26.8
	27.7
As at 31 December 2019:	
Investments in collective investment schemes	2.9
Money market funds	71.8
	74.7

17 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 losses carried forward £m
As at 1 January 2019	2.9
Movement in the year	(0.9)
As at 31 December 2019	2.0
Movement in the year	0.2
As at 31 December 2020	2.2

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

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

The value of deferred tax assets not recognised as at 31 December 2020 was £17.7m (2019: £15.8m). This relates to gross carried forward losses of £93.2m (2019: £93.2m).

A sensitivity analysis shows a 20% reduction in group future taxable profits will necessitate a £2.2m write down in the value of the current deferred tax assets.

18 OTHER PROVISIONS

	Provision for rectifications £m
Balance at 1 January 2019	0.2
Release of provision	(0.2)
Balance at 31 December 2019	-
Additions in the year	0.1
Balance at 31 December 2020	0.1

The provision is expected to be utilised in the next 12 months.

19 OTHER PAYABLES

	2020 £m	2019 £m
Due to fellow group undertakings (see note 21)	0.4	-
Trade creditors	7.6	12.4
Other taxes and social security costs	0.1	0.2
	8.1	12.6

Trade creditors principally comprise amounts due to advisers.

The Directors consider that the carrying amount of trade and other payables approximates their fair value. All trade and other payables are current, short term and interest free. Amounts due to group companies are unsecured, interest free and current.

£0.4m (2019: £0.7m) of the total is classified as a non-financial liability. The remaining balance is recognised at amortised cost.

20 FINANCIAL AND CAPITAL COMMITMENTS

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

21 RELATED PARTY TRANSACTIONS

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

	2020 £m	2019 £m
Management fees paid to fellow group undertakings (see note 7)	84.6	98.0

Management services and fixed assets in the current and prior period are provided by Quilter Business Services Limited, a fellow group undertaking, which charges a management fee for costs incurred and services provided. This management fee is charged after addition of a mark up.

	2020 £m	2019 £m
Amounts due to group undertakings (see note 19)	0.4	-
Amounts due from group undertakings (see note 13)	27.1	1.0

Balances due from group undertakings include £22m loan, issued at the end of 2020 to Old Mutual Wealth Holdings Limited, which is repayable on demand.

Excluding the loan, the remaining balances are settled with Group entities in cash on a monthly basis.

As disclosed and quantified in the strategic report, the Company works closely with its fellow subsidiary companies in generating integrated flows, taking new business generated via restricted financial planners (RFPs) in Quilter Financial Planning, the Group's financial adviser network, and placing customer assets with Quilter Investors, the Group's investment company.

Details of transactions with directors are provided in note 8.

Investment settlements payable and receivable have been shown gross on the statement of financial position to better reflect the settlement process.

Key management personnel and members of their close family have undertaken transactions with the Company or an entity within the Quilter Group in the normal course of business.
The products within the Company and Quilter Group are available to all employees of the Company on preferential staff terms, the impact of which is immaterial to the Company's financial statements. During the year ended 31 December 2020, key management personnel and their close family members contributed £0.1m (2019: £0.5m) to pensions and investments (in both internal and external funds). The total value of investments in pensions and investment products by key management personnel serving at any point during the year and their close family members was £3.8m (2019: £3.6m) at the end of the year.

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.

23 CONTINGENT LIABILITIES

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

24 ULTIMATE PARENT COMPANY

The Company is fully owned by its immediate parent, Old Mutual Wealth Holdings Limited, a company registered in England & Wales.

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

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