Registered in England and Wales No. 06201261

Quilter Private Client Advisers Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2020

CONTENTS

COMPANY INFORMATION

Directors	M Andrews M Dean A P Moore
Secretary	Quilter CoSec Services Limited
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Registered office	Senator House 85 Queen Victoria Street London EC4V 4AB
	Telephone: 0808 171 2626 Website: www.quilter.com
	Registered in England and Wales No: 06201261

STRATEGIC REPORT

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

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The principal activity of Quilter Private Client Advisers Limited (the "**Company**") is the provision of pension and investment advice to retail clients. The Company is incorporated and domiciled in England and Wales.

The Company is part of the Quilter plc Group ("**Quilter**" or "**the Group**"). Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the Company with strategic and governance oversight. The Company formed part of the Advice and Wealth Management segment of the Group during 2020.
The Company formed part of the Quilter Financial Planning division within the Quilter plc Group until July 2021 when it was transferred to the Quilter Cheviot division. Quilter Financial Planning Limited is an intermediate holding company, that provided strategic and governance oversight during the year. The Company accessed regulatory permissions by virtue of being an Appointed Representative of Quilter Financial Services Limited.

QUILTER PLC STRATEGY

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

Management is confident in the Group's strategic path and growth prospects. Short-term market, economic and political uncertainty may temper momentum in near-term flows, business volumes and the level of assets under administration, as experienced in 2020 with the adverse impact of COVID-19 on equity market levels, but the Group operates in a large and fragmented market that has good long-term growth potential.

QUILTER PRIVATE CLIENT ADVISERS LIMITED STRATEGY

Quilter Private Client Advisers Limited forms part of the Quilter Financial Planning Group ("**QFP Group**"), a network of over 3,600 financial advisers, over 1800 restricted financial planners, who deliver personalised financial advice tailored to meet specific needs of the customer to deliver positive customer outcomes. The strategic aim of the QFP Group is to provide a market leading customer experience through controlled distribution and a focus upon the delivery of full financial planning within our target markets of mass affluent and affluent customers. The QFP Group is committed to offering a controlled advice proposition that delivers excellent customer outcomes, with a structure which ensures strong leadership and a strategic focus for advisers and clients in different market segments. The QFP Group operates a business model with two core channels, a National channel and a Network channel.

The Company is aligned to the National model, and predominately targets high net worth clients, as well as clients at the higher end of the mass affluent market spectrum. The Company offers a restricted advice proposition to its customers, delivered through an employed adviser model and drawing upon the capabilities of companies in the wider Quilter plc Group that provide strong and compelling platform and investment propositions.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS (KPIs)
Management evaluate the performance of the business using a number of measures. Key metrics for the Company including its subsidiaries were as follows:

	2020	2019
Adviser headcount number at year end for advisers operating under Quilter Private Client Advisers Limited	74	77

	£'000	£'000
Revenue	24,251	17,887
Administrative expense	8,618	6,158
Loss before taxation	7,402	7,731
Cash and cash equivalents	3,223	2,995
Net assets	55,466	61,712

During the year under review, the Company made a loss before tax of £7,402k, compared to a prior year loss before tax of £7,731k. Revenue for the year of £24,723k represented a £4,849k increase on the prior year. This was offset by an increase in cost of sales of £3,320k, and an increase in administrative expenses of £2,393k. Finance costs were reduced by £1,193k year on year.

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

The Company's strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company from the UK's withdrawal from the European Union. The Company will continue to closely monitor potential impacts alongside the wider Quilter Group. The Company is, however, exposed to additional risks, such as reducing investor confidence and adverse market reaction. As part of its capital adequacy planning, the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will benefit from capital support from Quilter Cheviot Holdings Limited and the broader Quilter Group.

COVID-19 has been recognised by the World Health Organisation as a global pandemic and may continue to impact global supply chains, global market growth and employee availability over the next few years. The Company will be adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks depending on the extent of employment availability. The length and severity of the impact from COVID-19 remains a clear risk, although the Company would not expect this to materially change the underlying long-term prospects and going concern basis of the business.

Climate change and Environmental, Social and Governance ("**ESG**") matters are areas of increasing focus. The frequency of climate-related risk events or a disorderly transition to a low carbon economy could give rise to additional costs and adversely impact asset values and customer outcomes. The acceleration of government, regulatory and corporate activity in support of meeting climate change targets requires Quilter to develop its approach to the identification and management of the risks associated with climate change. There is increasing focus on sustainability and sustainable investing, bringing opportunity and also increased pressure from investors and customers to bring about change. Quilter is focused on delivering against its climate and ESG responsibilities, including developing the required Taskforce on Climate-related Financial Disclosures ("**TCFD**") for the 2021 financial year.

STRATEGIC REPORT (continued)

GOING CONCERN
In evaluating going concern, the Directors have given consideration to the matters outlined in this Strategic report, along with recognising the strategic importance of the Company to the Quilter Cheviot division and the wider Quilter Group.

The Company's immediate parent undertaking, Quilter Cheviot Holdings Limited, has provided confirmation of its intention to provide capital support for a minimum of three years to 31 December 2023, recognising the strategic importance of the Company within the Quilter Cheviot division.

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

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

PRINCIPAL RISKS AND UNCERTAINTIES
The key business risks and uncertainties relate to investment market performance, client persistency, expense levels and risks within operational activities associated with systems, processes, people and external influences. The Company does not seek market risk (trading securities with its own funds) and has limited risk appetite for credit risk resulting from loans to Authorised Representatives and Company cash held with counterparties.

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

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

Development and implementation of IT systems – In 2021, the Company will continue to focus on updating and enhancing its IT capabilities. Such IT developments carry inherent execution risk. The Company is managing the execution risk arising on IT implementation through its Change Management Team dedicated to the implementation of projects within the business.

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

Financial instruments - The Company's main exposure to risk arising from financial instruments is its exposure to credit risk arising on cash or short-term deposits and trade and other receivables. Cash and short-term deposits are placed with high credit-rated banks which significantly reduces credit risk. All deposits are with Bank of Scotland which is rated A+ with Fitch, indicating there is a low associated credit risk.

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

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

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

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

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

Generational shifts: The UK is experiencing shifts in generational wealth accumulation with newer generations potentially less able to accumulate wealth and assets from income. Existing intergenerational tensions are being further 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 Quilter's target market. There is a risk of strategic failure to adapt to future customer needs.

Change strategy and execution risk: Quilter continues to be subject to material change programmes, including the implementation of a new commission payment system in 2021. In addition, several initiatives to further enhance the control environment are taking place during 2021. This delivery profile carries a delivery risk, a risk of implementation issues, and a dependence on key individuals. There will be a need to ensure these projects remain on track to deliver the intended benefits, without risking disruption to continuing operations and the control environment.

SECTION 172 (1) STATEMENT

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

In order to ensure decision making bodies within Quilter continue to take their decisions on a fully informed basis, the Group has taken steps to further embed management's and Directors' understanding of the responsibilities ascribed to directors under section 172 (1) of the Companies Act 2006 ("**s172**") at a Quilter plc level and across its management committees and subsidiaries, including the Company. Quilter Corporate Secretariat continue to engage with management to explain the importance of the considerations referred to in s172 as part of good decision-making, to ensure that proposals coming to the Board contain appropriate information on the potential impact of business decisions on all stakeholders of the Company and other relevant matters. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties, to ensure that s172 considerations remain at the heart of the Group's decision-making at all levels. Directors who joined during 2020 were provided with a full induction including training on their responsibilities set out in s172.

In overseeing the business of the Company during the year, the Board of the Company has paid due regard to its duty to promote the success of the Company for the benefit of Quilter plc, its ultimate parent company, in the long-term, by supporting the delivery of the Group's strategic priorities. In doing so, the Board has appropriately considered its key stakeholders, including customers, advisers, employees and its regulator.

STRATEGIC REPORT (continued)

The Board of the Company had previously approved a delegation of authority to Quilter Financial Planning Limited, the Company’s indirect parent company during 2020, to determine the strategic direction of the business of the Company, undertake day-to-day business decisions and oversee the operational, financial and risk management of the Company’s business. Under this delegation of authority, which was in place throughout 2020, the Board of Quilter Financial Planning Limited has overseen the actions being taken to develop the Company's business, ensure that the advice process is appropriately controlled, manage conflicts of interest and improve the investment proposition available to the Company’s advisers, all of which supports the successful delivery of good customer outcomes and fosters strong business relationships with our advisers and customers.

Signed on behalf of the Board

Andrew Moore
Director
29 September 2021

DIRECTORS' REPORT

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

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

DIRECTORS

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

M Andrews	(appointed 1 January 2021)
M Dean	(appointed 3 July 2020)
S C Gazard	(appointed 3 July 2020, resigned 30 July 2021)
A P Moore	
D J W Rose	(resigned 31 July 2020)
D W J Sharkey	(resigned 31 December 2020)

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

Qualifying third-party indemnities were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2020 for the benefit of the then directors, and at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties/powers or office.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £6,398k (2019: £8,277k).

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

EMPLOYEES

The Company has no employees. All employees were transferred to Quilter Financial Planning Limited in 2019 and the related disclosures are included within those financial statements

FINANCIAL INSTRUMENTS

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

POLITICAL DONATIONS

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

MANAGED CAPITAL

The Company's objectives in managing its capital are to ensure that there are adequate resources to meet the Company's liabilities as they fall due and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company's capital position and the movement in this from the prior year are disclosed within the statement of changes in equity.

DIRECTORS' REPORT (continued)

BUSINESS RELATIONSHIPS STATEMENT

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

An explanation of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, has been set out in Quilter plc's 2020 Annual Report, which does not form part of this report.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

STATEMENT OF GOING CONCERN

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

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

In light of the above, there are no material uncertainties, related events or conditions that may cast significant doubt over the ability of the Company to meet its liabilities as they fall due, for at least 12 months from the date of approving these financial statements.

SUBSEQUENT EVENTS – CHANGE OF IMMEDIATE PARENT COMPANY

On 30 July 2021, the Company was acquired by Quilter Cheviot Holdings Limited, an intermediate holding company within the Quilter plc Group.

INDEPENDENT AUDITORS

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

Signed on behalf of the Board

Mitchell Dean
Director
29 September 2021

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

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF QUILTER PRIVATE CLIENT ADVISERS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Quilter Private Client Advisers Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF QUILTER PRIVATE CLIENT ADVISERS LIMITED (continued)

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

Strategic report and Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase revenue of the Company and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board of Directors and with management (Finance, Internal Audit, Legal, Risk and Compliance), including consideration of their process for identifying and responding to the risk of fraud, and any known or suspected instances of fraud or non compliance with laws and regulations;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors and the Audit Committee;
- Identifying and testing journal entries, in particular any journal entries with unexpected account combinations, unusual amounts, unusual words, unusual times, and any post closing entries, where any such entries were identified;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF QUILTER PRIVATE CLIENT ADVISERS LIMITED (continued)

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

INCOME STATEMENT
for the year ended 31 December 2020

	Note	2020 £	2019 £ Restated[1]
Revenue	4	22,250,987	17,887,303
Cost of sales		(20,067,489)	(17,299,666)
Gross profit		2,183,498	587,637
Administrative expenses	5	(8,618,288)	(6,158,482)
Finance costs	7	(967,380)	(2,159,896)
Total expenses		(9,585,668)	(8,318,378)
Loss before tax		(7,402,170)	(7,730,741)
Taxation	8	1,004,570	(546,044)
Loss for the year after tax		(6,397,600)	(8,276,785)
Attributable to equity holders		(6,397,600)	(8,276,785)

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

[1]See Note 2 for details regarding the restatement.

The notes on pages 18 to 50 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	2020	2019
	£	£
Loss for the year after tax	(6,397,600)	(8,276,785)
Total comprehensive loss for the year		
All attributable to equity holders	(6,397,600)	(8,276,785)

The notes on pages 18 to 50 are an integral part of these financial statements.

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

	Share capital £	Share-based payment reserve £	Retained earnings £	Total equity £
Balance at 1 January 2020	88,561,000	252,168	(27,101,231)	61,711,937
Loss for the year after tax	-	-	(6,397,600)	(6,397,600)
Tax credit recognised in reserves[1]	-	(9,131)	-	(9,131)
Share-based payment charge	-	136,108	24,859	160,967
Balance at 31 December 2020	88,561,000	379,145	(33,473,972)	55,466,173

	Share capital £	Share-based payment reserve £	Accumulated losses £	Total equity £
Balance at 1 January 2019	78,401,000	85,845	(18,866,332)	59,620,513
Loss for the year after tax	-	-	(8,276,785)	(8,276,785)
Share issues during the year	10,160,000	-	-	10,160,000
Tax credit recognised in reserves[1]	-	(18,018)	-	(18,018)
IFRS 2 charge to Accumulated losses	-	184,341	41,886	226,227
Balance at 31 December 2019	88,561,000	252,168	(27,101,231)	61,711,937

[1]The tax credits recognised in equity pertain to deferred tax for the transition adjustment made under IFRS 16 Leases, which has been credited to accumulated losses and tax under IFRS 2 for shares issued to employees which has been charged to the share-based payment reserve.

The notes on pages 18 to 50 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2020

	Note	2020 £	2019 £
Non-current assets			
Property, plant and equipment	9	1,812,484	2,249,654
Intangible assets	10	19,153,919	25,438,152
Goodwill	11	31,026,193	32,130,986
Deferred tax assets	17	527,172	561,084
Current assets			
Current tax receivable		2,478,733	1,974,247
Trade and other receivables	12	13,099,268	27,741,003
Contract assets	20	2,254,898	2,480,299
Cash and cash equivalents	13	3,222,793	2,995,398
Total assets		73,575,460	95,570,823
Equity and liabilities			
Equity			
Share capital	21	88,561,000	88,561,000
Share-based payments reserve		379,145	252,168
Retained earnings		(33,473,972)	(27,101,231)
Total equity attributable to equity holder		55,466,173	61,711,937
Non-current liabilities			
Deferred tax liabilities	17	3,862,402	4,354,173
Other financial liabilities	16	3,858,200	5,334,540
Lease liabilities	15	1,664,048	2,094,106
Current liabilities			
Other financial liabilities	16	2,248,123	16,108,214
Lease liabilities	15	370,259	392,693
Provisions	19	2,414,660	409,284
Trade and other payables	14	3,691,595	5,165,876
Total liabilities		18,109,287	33,858,886
Total equity and liabilities		73,575,460	95,570,823

The notes on pages 18 to 50 are an integral part of these financial statements.

Approved at a meeting of the Board of directors on 29 September 2021 and signed on its behalf by:

Mitchell Dean
Director

Company registered number: 06201261

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	2020	2019
	£	£
Cash flows from operating activities		
Loss before tax	(7,402,170)	(7,730,741)
Adjustment to reconcile loss before tax to net cash flow from operating activities:		
Depreciation of property and equipment	381,443	389,761
Profit on disposal of fixed assets	-	(13,688)
Proceeds from sale of fixed assets	-	64,000
Amortisation of intangible assets	3,198,313	2,701,598
Equity settled share-based payment expenses	136,108	184,341
Decrease in trade and other receivables	14,641,735	9,564,951
(Decrease)/Increase in trade and other payables	(1,474,281)	269,141
Increase in provisions	2,005,376	328,600
Finance costs, impairments and release of acquisition provision	1,580,948	2,097,517
Tax and group relief received/(settled)	1,088,189	(661,757)
(Decrease)/increase in deferred tax liability	(38,920)	1,062,424
Net cash flows generated from operating activities	14,116,741	8,256,147
Cash flows from investing activities		
Acquisition of businesses	(127,900)	(12,463,375)
Cash balances received from acquired businesses	767,455	1,533,229
Cash movement in deferred consideration	(14,025,033)	(5,426,086)
Net cash flows used in investing activities	(13,385,478)	(16,356,232)
Cash flows from financing activities		
Payment of lease liabilities	(503,868)	(461,382)
Receipt from issuance of share capital	-	10,160,000
Net cash flows (used in)/generated from financing activities	(503,868)	9,698,618
Net increase in cash and cash equivalents	227,395	1,598,533
Cash and cash equivalents at beginning of the year	2,995,398	1,396,865
Cash and cash equivalents at end of the year	3,222,793	2,995,398

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

The statement of cash flow is prepared according to the indirect method.

The notes on pages 18 to 50 are an integral part of these financial statements.

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

1 GENERAL INFORMATION

The Company is a limited company which is limited by shares and is incorporated and domiciled in the United Kingdom ("**UK**").

The principal activity of the Company is the provision of pension and investment advice to retail clients.

All activities are carried out in the UK.

The address of the registered office is Senator House 85 Queen Victoria Street London EC4V 4AB

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

In assessing the basis of preparation, management have considered:

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

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

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's financial statements are consolidated within the financial statements of Quilter plc.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

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

In light of the support committed to by Quilter Cheviot Holdings Limited, 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.

Prior year restatements

Reclassification of expenses

In 2020, management have deemed that amounts previously recognised as administrative expenses should in fact be classified as cost of sales, as this more accurately represents the nature of the transactions. As such, at 31 December 2019, £17,299,666 that was previously disclosed as administrative expenses, has been reclassified to cost of sales to conform with the current year presentation. In addition, management have also deemed that revenue should be recognised as received from QFP, (i.e. net of the management fee charged by QFP). As such, at 31 December 2019 £1,987,478 was previously disclosed as Cost of Sales has been reclassified as a deduction to Revenue to conform with the current year presentation. The impact of the above restatements on the Company's income statement for the year ended 31 December 2019, can be seen in the tables below. There is no overall impact to the loss for year or the statement of financial position.

INCOME STATEMENT

	2019	Reallocation of Administrative Expenses to Cost of sales	Removal of commission retained by other group entity	2019 Restated
	£	£	£	£
Revenue	19,874,781	-	(1,987,478)	17,887,303
Cost of sales	(1,987,478)	(17,299,666)	1,987,478	(17,299,666)
Gross profit	17,887,303	(17,299,666)	-	587,637
Administrative expenses	(23,458,148)	17,299,666	-	(6,158,482)
Finance costs	(2,159,896)	-	-	(2,159,896)
Total expenses	(25,618,044)	17,299,666	-	(8,318,378)
Loss before tax	(7,730,741)	-	-	(7,730,741)
Taxation	(546,044)	-	-	(546,044)
Loss for the year after tax	(8,276,785)	-	-	(8,276,785)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments to standards, and interpretations adopted in the 2020 annual financial statements
There have been no new standards or interpretations which became effective 1 January 2020.

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

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

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

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

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

- IFRS 17 *Insurance contracts* (yet to be endorsed by the EU).

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

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company. A financial liability is derecognised when, and only when the liability is extinguished.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Measurement
A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition.
Subsequent measurement
Under IFRS 9, the classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which two are applicable to the Company: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
Financial assets at FVTPL	These 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 derecognition is recognised in profit or loss.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and advances
Loans with fixed maturities are recognised when cash is advanced to borrowers. Loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. All other cash and cash equivalents are classified as at amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below.

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

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

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

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

Impairment of financial assets
The IFRS 9 impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

Application of the new impairment model
The Company applies IFRS 9's new ECL model to one main type of financial asset that is measured at amortised cost:

- Trade receivables to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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.

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

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

Critical accounting estimates and judgements

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

Area	Critical accounting judgements	Notes
Impairment of Goodwill and Intangible Assets	In assessing whether an impairment provision should be recognised, the Company evaluates the likelihood of the carrying value of the investment being lower than the recoverable amount, using the approved business plan, at each reporting date. Intangible assets are also assessed for impairment whenever there is an indication that the intangible asset may be impaired.	10,11

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements (continued)

Area	Critical accounting estimates	Notes
Deferred consideration	Deferred consideration is payable to sellers of client books and advice businesses. The values stated represent management's view of the probable future payment obligations discounted to present value. In assessing the value of probable future payments, both current and expected performance of individual acquisitions are reviewed periodically, at year end, and in response to specific events known to have an impact on the performance of a particular acquisition.	16
Deferred tax - measurement	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements, related movements in foreign exchange rates and net client cash flows, together with estimates of expenses and other charges The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses recoverability based on estimated taxable profits over a 3-year planning horizon.	17
Provisions - measurement	The Company and its acquired businesses provided pension transfer advice in prior periods. A review of the cases advised by Prescient was initiated to assess the standard of advice given to clients of Prescient. An estimate of the potential redress payable has been made following a skilled person review in December 2020.	19

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

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

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

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

Property, plant and equipment

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

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

Depreciation and impairment losses are recognised in the income statement within administrative expenses. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is derecognised upon disposal or when no future economic

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Antiques owned by the Company during 2019 were held at cost and not depreciated as the resulting depreciation charge based on the estimated useful life of the assets was considered to be immaterial. All such assets were disposed of during 2019.

Goodwill
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment.

Impairment of goodwill
The carrying amount of the Company's goodwill is reviewed at each reporting date to determine whether there is any impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement. The recoverable amount is the greater of the net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Intangible assets
Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method are reviewed at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate. The amortisation expense on intangible assets is recognised in the income statement in administrative expenses.

Deferred consideration
Deferred consideration is management's view of the probable future payment obligations discounted to present value.

Taxation
Current income tax
Current income tax assets and liabilities for the current year and prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities, or paid to or recovered from other group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred tax assets are recognised for all temporary timing differences to the extent that it is probable that taxable profit will be available against which the deductible temporary timing difference can be utilised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Business combination
Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Where the consideration transferred, together with the non-controlling interest, exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill. The costs of acquisition are charged to the income statement in the period in which they are incurred.

Finance income and expense
Interest income is recognised as it accrues using the effective interest rate method applicable over the period of the income.

Interest expense is recognised as it accrues using the interest rate applicable over the period of the expense.

Provisions
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the entity.

Share-based payments
The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for the difference between expected and actual outcomes.

3 RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

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

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

3 RISK MANAGEMENT FRAMEWORK (continued)

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

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

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

Credit risk primarily arises from cash held at bank and other receivables, which are all current. The principal amounts receivable on these balances are materially the same as fair value and as such credit risk has not had a significant impact on the valuation of these balances.

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

Interest rate risk
Interest rate risk is defined as the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for a negative impact on earnings or capital and/or reduced solvency. The Company monitors the impact of interest rate changes on its financial position, with the risk managed in line with its Market Risk Policy.

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

	2020 Variable	2019 Variable
Assets		
Current account with credit institutions	0.00%	0.01%

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

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

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

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

The Company’s strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company from the UK’s withdrawal from the European Union. The Company is part of a pan-Quilter project to

3 RISK MANAGEMENT FRAMEWORK (continued)

manage the impacts on the business of this withdrawal. The Company is however exposed to secondary risks potentially associated with this, such as reducing investor confidence and adverse market reaction, as a result of the significant downturn in the markets due to COVID-19. As part of its capital adequacy planning, the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will continue to benefit from capital support from Quilter Cheviot Holdings Limited, its immediate parent company and the broader Quilter Group.

Risk and capital management
The Quilter Group's capital management policy sets out the key considerations and restrictions with regard to the amount of capital that is retained by each entity within the Group.

In the event of the Company incurring losses resulting in the erosion of its capital base, it is supported financially by its immediate parent company Quilter Cheviot Holdings Limited.

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

The constituent parts of the Operational Risk Framework are:

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

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

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

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

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

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

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

4 REVENUE

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

5 ADMINISTRATIVE EXPENSES

Administrative expenses include:

	2020 £	2019 £
Auditors' remuneration	50,000	36,000
Depreciation on property and equipment	381,443	389,761
Amortisation of intangible assets	3,198,313	2,701,598
Profit on disposal	-	13,688

Administrative expenses include £3,984,728 (2019: £1,731,157) relating to recharges to the Company by Quilter Financial Planning Limited. These recharges include payment of Director and senior manager remuneration.

Auditors' remuneration for audit services consists of fees in respect of the statutory audit. There are no non-audit fees (2019: £nil).

6 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.

Of the Directors, only one had day-to-day responsibilities and the associated costs are borne by the Company whilst the remainder have minimal input in the day-to-day administration of the Company.

In respect of the single director with day-to-day responsibility, their remuneration was as follows:

	2020 £	2019 £
Directors' emoluments	170,000	396,168
Pension contributions	17,000	17,299
	187,000	413,467

During the year, one director accrued pension benefits under a defined contribution scheme (2019: 2).

Included within these emoluments, is an accrued amount of £6,000 (2019: £148,000) in respect of a long-term incentive scheme designed to retain and incentivise, with the first payment due under the scheme paid in 2022.

The amount in respect of the highest paid director was as follows:

	2020 £	2019 £
Directors' emoluments	187,000	211,200

6 REMUNERATION OF KEY MANAGEMENT PERSONNEL (continued)

In respect of the directors who have minimal input in the day-to-day administration of the Company, there is no appropriate basis on which they can apportion part of their remuneration for their services to the Company. These Directors were remunerated by Quilter Financial Planning Limited and their emoluments are disclosed in those financial statements.

7 FINANCE COSTS

	2020 £	2019 £
Discount unwind on deferred consideration	911,056	2,097,517
Interest charge on lease liabilities	56,324	62,379
	967,380	2,159,896

8 TAXATION

	2020 £	2019 £
Current year corporation tax credit	(583,703)	(362,452)
Prior year corporation tax credit	-	-
Adjustment for prior years	(1,928)	1,070,561
Origination and reversal of temporary differences	-	-
Deferred tax movement	(418,939)	(162,065)
Tax (credit)/charge for the year	(1,004,570)	546,044

The total tax (credit)/charge for the year can be reconciled to the accounting loss as:

	2020	2019
Loss before tax	7,402,170	7,730,741
Tax on loss at the applicable tax rate 19% (2019: 19%)	(1,406,412)	(1,468,840)
Effect of:		
Expenses not deductible for tax purposes	12,563	988,524
Differences between current tax and deferred tax rates	421,424	69,982
Unrecognised deferred tax credit	(30,217)	(114,183)
Prior year corporation tax (credit)/charge	(1,928)	1,070,561
	(1,004,570)	546,044

The main rate of corporation tax reduced from 20% to 19% with effect 1 April 2017.

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

9 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets £	Antiques £	Total £
Cost			
At 1 January 2019	-	95,934	95,934
Disposals	-	(95,934)	(95,934)
IFRS 16	2,258,162	-	2,258,162
Additions	381,253	-	381,253
At 31 December 2019	2,639,415	-	2,639,415
Additions	28,196	-	28,196
Disposals	(83,923)	-	(83,923)
At 31 December 2020	2,583,688	-	2,583,688
Accumulated depreciation			
At 1 January 2019	-	45,622	45,622
Disposals	-	(45,622)	(45,622)
Provided during the year	389,761	-	389,761
At 31 December 2019	389,761	-	389,761
Disposals	-	-	-
Provided during the year	381,443	-	381,443
At 31 December 2020	771,204	-	771,204
Carrying amount			
At 31 December 2019	2,249,654	-	2,249,654
At 31 December 2020	1,812,484	-	1,812,484

10 INTANGIBLE ASSETS

	Other intangible assets £
Cost	
At 1 January 2019	23,214,055
Additions	8,794,585
At 31 December 2019	32,008,640
Additions	127,900
Other movements	(321,672)
At 31 December 2020	31,814,868
Accumulated amortisation and impairment	
At 1 January 2019	3,868,890
Provided during the year	2,701,598
At 31 December 2019	6,570,488
Impairment	2,892,148
Amortisation	3,198,313
At 31 December 2020	12,660,949
Carrying amount	
At 31 December 2019	25,438,152
At 31 December 2020	19,153,919

Intangible assets are amortised over 8 years on a straight-line basis. Other intangible assets relate to the Company's acquisition of advice businesses.

Other movements relate to fair value adjustments in relation to previous acquisitions made by the Company for which other intangibles adjusted.

Refer to note 23 for acquisitions in the year.

11 GOODWILL

	Goodwill £
At 1 January 2019	21,787,271
Additions	10,343,715
At 31 December 2019	32,130,986
Additions	232,748
Post-acquisition adjustment	(1,337,541)
At 31 December 2020	31,026,193

Post-acquisition adjustments relate to fair value adjustments in relation to previous acquisitions made by the Company for which goodwill is adjusted.

11 GOODWILL (continued)

Impairment of goodwill
The carrying amount of the Company's goodwill is tested annually for impairment by comparing the carrying value of the underlying asset to the recoverable value, being the higher of value-in-use ('VIU') and its fair value ('FV') less costs to sell. If applicable, an impairment charge is recognised in the Income Statement when the recoverable amount is lower than the carrying value. For 2020 FV produces the higher outcome for the Company and has therefore been adopted in these Financial Statements as the valuation methodology.

The FV test has been constructed with key assumptions validated by comparison to similar market transactions. The Assets Under Advice ("**AuA**") at 31 December 2020 are multiplied by the market transaction average multiplier of 2.1% calculated from a range of 1.3% to 3.5% based on a range of market transactions over a period of 7 years. Management recognises the economics of the Company and its asset base may not align to the market transactions and perform a sensitivity test to stress the FV calculation, to reduce the AuA multiplier of 2.1% to the point where the FV is equal to the carrying value.

After undertaking the above tests and with consideration given to the potential impact of a market downturn, the recoverable amount for the aggregate goodwill and intangible assets exceeds the carrying value. Management are therefore satisfied that no further impairment is required as at 31 December 2020.

The following table details the separate percentage change required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables stay the same. The table demonstrates that further adverse movements to the key assumptions used in the CGU value-in-use calculation would be required before impairment is indicated.

	Quilter Private Client Advisers
Reduction in AuA	23.3%
Reduction in AuA multiplier	0.5% (from 2.1% to 1.6%)

12 TRADE AND OTHER RECEIVABLES

	2020 £	2019 £
Trade receivables	100,227	141,850
Indemnification asset	1,655,147	-
Due from fellow group undertakings	11,343,894	27,599,153
	13,099,268	27,741,003

A provision was recognised as at 31 December 2020 relating to 18 cases of historical advice provided by the acquired business Prescient Financial Intelligence Limited in respect of defined benefit pension transfers (see note 19). Under the terms of the sale agreement, the Company considers these costs to be recoverable from the previous owners of Prescient Financial Intelligence Limited and accordingly recognises the amount receivable. For terms and conditions relating to related party transactions, refer to note 22. Trade receivables and other receivables are non-interest bearing.

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

13 CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash and cash equivalents	3,222,793	2,995,398

All cash and cash equivalents are current and do not earn interest. The carrying amount of these assets approximates to their fair value.

14 TRADE AND OTHER PAYABLES

	2020 £	2019 £
Trade payables	3,691,595	5,165,876

All amounts due are short term and interest free.

15 LEASE LIABILITIES

	2020 £	2019 £
Opening balance at 1 January	2,486,799	2,504,549
Additions	-	381,253
Modifications	103,873	-
Disposals	(108,821)	-
Finance interest charge for the year	56,324	62,379
Lease liability reduction for the year	(503,868)	(461,382)
Closing balance at 31 December	2,034,307	2,486,799
Lease liability to be settled within 12 months	370,259	392,693
Lease liability to be settled after 12 months	1,664,048	2,094,106
Total discounted lease liability at 31 December	2,034,307	2,486,799
Maturity analysis – contractual undiscounted cash flows		
Less than one year	415,537	447,797
One to five years	1,504,730	1,615,562
More than five years	262,583	628,040
Total undiscounted lease liability at 31 December	2,182,850	2,691,399

16 OTHER FINANCIAL LIABILITIES

	2020 £	2019 £
Amount due within one year:		
Deferred purchase consideration	2,248,123	16,108,214
Amount due in more than one		
Deferred purchase consideration	3,858,200	5,334,540

The deferred purchase consideration of £6,106,323 (2019: £21,442,754) relates to the acquisition in 2019 of the Prescient Financial Intelligence Limited business and six asset acquisitions and prior year business acquisitions of share capital and of trade and assets. The deferred purchase consideration in the table above is discounted to reflect the net present value of the future obligation. Please refer to note 23 for details of acquisitions.

17 DEFERRED TAX

The following table shows the deferred tax balances recognised by the Company and the related movements, during the current and prior reporting period.

Assets

	Unpaid remune -ration	IFRS 16	Losses	Fixed asset timing differences	Share schemes	Deferred tax asset not provided	Total
	£	£	£	£	£	£	£
Assets at 1 January 2020	277,148	36,250	1,106,962	-	11,490	(870,766)	561,084
Equity	-	-	-	-	2,106	-	2,106
Movement in the year	(61,839)	(17,833)	27,788	1,297	14,569	-	(36,018)
Assets at 31 December 2020	215,309	18,417	1,134,750	1,297	28,165	(870,766)	527,172

Liabilities

	Fixed asset timing differences	Intangible assets	Deferred tax liability not provided	Total
	£	£	£	£
Liabilities at 1 January 2020	(9,684)	(4,344,489)	-	(4,354,173)
Additions	-	36,817	-	36,817
Movement in the year	9,684	445,270	-	454,954
Liabilities at 31 December 2020	-	(3,862,402)	-	(3,862,402)

A deferred tax asset on losses carried forward and fixed assets is recognised to the extent that there are other temporary differences expected to reverse in the foreseeable future. In addition, assets have been recognised to the extent it is probable that there will be future taxable profits to utilise the asset. The excess has not been recognised as there is sufficient uncertainty to utilise the asset. Trading losses are available to carry forward without expiry subject to the continuation of the trade.

18 FINANCIAL AND CAPITAL COMMITMENTS

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

19 PROVISIONS

	Indemnity commission provision £	Provision for complaints £	Redress provision £	Total £
At 1 January 2019	80,684	-	-	80,684
Additions	10,854	317,746	-	328,600
At 31 December 2019	91,538	317,746	-	409,284
Additions	-	487,851	1,655,147	2,142,998
Utilisation	(38,460)	(99,162)	-	(137,622)
At 31 December 2020	53,078	706,435	1,655,147	2,414,660

Indemnity commission provision

Provision is made for repayment of indemnity commission to the product provider in the event that a policy may lapse within the indemnity period. Given the nature of these policies it is uncertain what the number and monetary value will be of any such lapses.

If the underlying assumption that the future clawback pattern is assumed to reflect the historical actual clawback pattern is to change by +/- 9.0% of the movement of the year, this would have a proportional impact on the movement of the year of +£3,461 or -£3,461 (2019: +/- 10.5% +£1,100 or -£1,100).

Provision for complaints

Provision is made for expected settlements on open complaints.

Complaints utilisation	2020 £	2019 £
Balance brought forward	317,746	-
Charged to income statement	487,851	317,746
Utilised in the year	(99,162)	-
Balance coming forward	706,435	317,746

Redress provision

The redress provision represents the estimated cost of settling claims from clients and the amount represents the gross obligation and where these amounts can be recovered an asset is recognised (see note 12).

A provision of £1,655,147 was recognised as at 31 December 2020 relating to 18 cases of advice provided by Prescient Financial Intelligence Limited in respect of pension transfers prior to acquisition by the company.

20 CONTRACT ASSETS

	2020 £	2019 £
Contract assets accrued income opening balance	2,480,299	1,980,307
Contract assets accrued (cost)/income	(225,401)	499,992
Contract assets accrued income closing balance	2,254,898	2,480,299

Contract assets accrued income is a calculation based upon written cases which have not been paid at year end. Therefore, this is an estimate of future revenue which includes an impairment to recognise that an element will not be proceeded with.

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

21 SHARE CAPITAL

	2020 £	2019 £
88,561,000 (2019: 88,561,000) ordinary shares of £1 each	88,561,000	88,561,000

On 23 August 2019, the Company issued 460,000 of £1 ordinary shares for a consideration of £460,000 to its then parent, Blueprint Organisation Limited.

On 19 December 2019, the Company issued 9,700,000 of £1 ordinary shares for a consideration of £9,700,000 to its then parent, Blueprint Organisation Limited.

22 RELATED PARTY TRANSACTIONS

Year-end balances and transactions with related parties
Administrative and cost of sales expenses were recharged to the Company at cost by Quilter Financial Planning Limited of £24,061,585 (2019: £18,869,000).

Outstanding balances are unsecured and interest free. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2020 the Company has not made any provision for doubtful debt relating to amounts owed by related parties (2019: £nil).

Year-end balances for related party transactions are as follows:

	2020 £	2019 £
Quilter plc	2,478,733	1,974,247
Quilter Financial Planning Limited	11,176,280	27,446,486
Blueprint Financial Services Limited	152,667	152,667
Quilter Financial Advisers Limited	14,947	-
	13,822,627	29,573,400

Details of transactions with key management personnel are provided in note 6, and intercompany transactions are in notes 12 and 21.

The amount due from Quilter plc is the current tax receivable as shown in the statement of financial position.

Details of investments in subsidiaries are in note 23.

23 ACQUISITIONS

Business acquisitions completed during the year ended 31 December 2020

There have been no new share-based acquisitions during the period. Movements during the period solely relate to previous acquisitions true-ups, resulting in a £0.7m reduction in goodwill.

2020	Post-acquisition true-up £	Share-based acquisitions Total £
Cost		
Goodwill	(704,526)	(704,526)
	(704,526)	(704,526)

There has been one trade and assets acquisition in 2020. This has been acquired directly into the Company and capitalised as intangibles. The total value of the acquired assets recognised at the point of acquisition was per the table. The liability in respect of the deferred discounted consideration costs is based on the level of recurring revenues in respect of the client banks for a period post completion, which is typically 12 months.

2020	Trade and assets acquisitions £	Post-acquisition true-up £	Trade and assets acquisitions Total £
Cost			
Intangibles	127,900	(321,672)	(193,772)
Goodwill	232,748	(633,015)	(400,267)
	360,648	(954,687)	(594,039)

In total for 2020, including the prior period acquisition true-ups, across both the share-based and trade and assets acquisitions the overall estimated consideration has reduced by £1.3m. Of this a reduction of £0.2m is ascribed to intangible assets and a reduction of £1.1m is ascribed to goodwill. With regards to the sellers, £0.1m was paid in cash at the outset, with an estimated future consideration of £0.3m, payable in cash, recognised in the statement of financial position.

Business acquisitions completed during the year ended 31 December 2019

The acquisitions in 2019 all relate to financial advice companies, generating revenues through the provision of financial advice and the ongoing servicing of customers. This supports the strategy to build both scale and national presence, with the 2019 share-based acquisition of Prescient Financial Intelligence Limited, being incorporated into our existing regions

In respect of the 2019 share-based acquisition, the assets and liabilities were hived up to the Company on completion and therefore Prescient Financial Intelligence Limited ceased to trade post-acquisition, with the post-acquisition revenues and services merged into the Company's business. It is therefore not possible to separately identify the profits attributable to the acquired businesses post acquisition.

For the 2019 share-based acquisition, excluding true-ups for previous periods, we have recognised overall assets of £15.9m and a liability of £5.7m to cover the fair value of future cash payment entitlements to the sellers. The liability is

23 ACQUISITIONS (continued)

based on the overall value of assets attributable to the business three years from completion. The total value of the acquired assets, of the share-based acquisitions, recognised at point of acquisition is as follows:

2019	Prescient Financial Intelligence Limited £	Post-acquisition true-up £	Share-based acquisitions Total £
Cost			
Intangibles	7,030,399	(775,539)	6,254,860
Goodwill	7,976,989	(849,835)	7,127,154
Cash	1,533,229	-	1,533,229
Other net assets	(689,211)	-	(689,211)
Deferred tax liability	(1,195,168)	-	(1,195,168)
Acquisition discount	(1,187,780)	-	(1,187,780)
	13,468,458	(1,625,374)	11,843,084

The capitalised value at acquisition, including prior period acquisition true-ups, consist of £7.1m goodwill, £6.3m of intangible assets and £1.5m of other assets and liabilities. The £6.3m ascribed to intangibles is predominately the value placed on advice fee entitlements arising from existing contractual relationships with customers, with goodwill representing the consideration premium in excess of the identifiable assets (being the intangibles and the other net assets acquired).

2019	Trade acquisitions £	Post-acquisition true-up £	Share-based acquisitions Total £
Cost			
Intangibles	3,194,396	(654,671)	2,539,725
Goodwill	3,778,418	(561,857)	3,216,561
	6,972,814	(1,216,528)	5,756,286

In total for 2019, including the prior period acquisition true-ups, across both the share and asset-based acquisitions the overall estimated consideration is £19.9m. Of this £8.8m is ascribed to intangible assets, £10.3m is ascribed to goodwill and there are £0.8m of other net assets. With regards to the payments to the sellers, £13m was paid in cash at the outset, with an estimated future consideration of £9.8m, payable in cash, recognised in the statement of financial position.

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

23 ACQUISITIONS (continued)

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

Company	Registered Office Address	Company Number
Premier Planning Limited (in liquidation 19 March 2018)	156 Great Charles Street Queensway, Birmingham, West Midlands, B3 3HN	01744396
NPL Financial Limited (in liquidation 11 September 2019)	156 Great Charles Street Queensway, Birmingham, West Midlands, B3 3HN	08633497
Maestro Financial Services Limited (in liquidation 11 September 2019)	156 Great Charles Street Queensway, Birmingham, West Midlands, B3 3HN	01863834
Freedom Financial Planning (Manchester) Ltd. (in liquidation 8 October 2020)	156 Great Charles Street, Queensway, Birmingham, West Midlands, B3 3HN	07415558
D G Pryde Limited (dissolved 20 April 2021)	Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB	SC263049
Prescient Financial Intelligence Limited	Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB	05005255
Charles Jacques Limited	Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB	05046148

For each subsidiary, Quilter Private Client Advisers Limited holds 100% of the voting rights. All of the above companies were direct subsidiaries of the Company at 31 December 2020 except for Charles Jacques Limited that was an indirect subsidiary.

The amounts yet to be paid are included within Other financial liabilities (see note 16).

24 CATEGORIES OF FINANCIAL INSTRUMENTS

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 'Financial Instruments' is set out in the following tables. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

For information about the methods and assumptions used in determining fair value please refer to note 2. The Company's exposure to various risks associated with financial instruments is discussed in note 25.

At 31 December 2020

Measurement basis	**Designated at FVTPL**	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
	£	**£**	**£**	**£**
Assets				
Trade receivables and other assets	-	-	70,352,667	70,352,667
Cash and cash equivalents	-	3,222,793	-	3,222,793
Total assets that include financial instruments	-	3,222,793	70,352,667	73,575,460
Total other non-financial assets	-	-	-	-
Total assets	-	3,222,793	70,352,667	73,575,460
Liabilities				
Provisions	-	-	2,414,660	2,414,660
Deferred consideration	-	-	6,106,323	6,106,323
Trade, other payables and other liabilities	-	9,588,304	-	9,588,304
Total liabilities that include financial instruments	-	9,588,304	8,520,983	18,109,287
Total other non-financial liabilities	-	-	-	-
Total liabilities	-	9,588,304	8,520,983	18,109,287

24 CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2019

	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities	Total
	£	£	£	£
Assets				
Trade receivables and other assets	-	-	-	-
Other non-financial assets	-	-	92,575,425	92,575,425
Cash and cash equivalents	-	2,995,398	-	2,995,398
Total assets that include financial instruments	-	2,995,398	92,575,425	95,570,823
Total other non-financial assets	-	-	-	-
Total assets	-	2,995,398	92,575,425	95,570,823
Liabilities				
Provisions	-	-	409,284	409,284
Deferred consideration	-	-	21,442,754	21,442,754
Trade, other payables and other liabilities	-	12,006,848	-	12,006,848
Total liabilities that include financial instruments	-	12,006,848	21,852,038	33,858,886
Total other non-financial liabilities	-	-	-	-
Total liabilities	-	12,006,848	21,852,038	33,858,886

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

25 MAXIMUM EXPOSURE TO CREDIT RISK

The tables below represent the Company's maximum exposure to credit risk. The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

	Credit rating relating to financial assets that are neither past due nor impaired									
At 31 December 2020	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Internally rated**	**Included through consolidation of funds**	**Carrying value including held for sale**	**Less: Amount classified held for sale**	**Carrying value**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Financial investments	-	-	-	-	-	-	-	-	-	-
Short-term funds and securities	-	-	-	-	-	-	-	-	-	-
Other investments and securities	-	-	-	-	-	-	-	-	-	-
Assets subject to 12-month ECL model	-	-	-	-	-	-	-	-	-	-
Loans neither past due nor impaired	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	3,222,793	-	-	-	-	-	-	3,222,793
Other receivables	-	-	-	-	-	17,832,899	-	-	-	17,832,899
	-	-	3,222,793	-	-	17,832,899	-	-	-	21,055,692
	-	-	3,222,793	-	-	17,832,899	-	-	-	21,055,692

	Credit rating relating to financial assets that are neither past due nor impaired									
At 31 December 2019 (restated)	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Internally rated**	**Included through consolidation of funds**	**Carrying value including held for sale**	**Less: Amount classified held for sale**	**Carrying value**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Financial investments	-	-	-	-	-	-	-	-	-	-
Short-term funds and securities	-	-	-	-	-	-	-	-	-	-
Other investments and securities	-	-	-	-	-	-	-	-	-	-
Assets subject to 12-month ECL model	-	-	-	-	-	-	-	-	-	-
Loans neither past due nor impaired	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	2,995,398	-	-	-	-	-	-	2,995,398
Other receivables	-	-	-	-	-	32,195,549	-	-	-	32,195,549
	-	-	2,995,398	-	-	32,195,549	-	-	-	35,190,947
	-	-	2,995,398	-	-	32,195,549	-	-	-	35,190,947

The 2019 table has been restated to address a presentational issue in the notes to the 2019 financial statements.

26 SHARE-BASED PAYMENTS

During the year ended 31 December 2020, the Company participated in a number of share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

Measurements and assumptions
The Company operates the following share-based payment schemes with awards over Quilter plc shares which came into force on 25 June 2018: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, and the Quilter plc Sharesave Plan.

The Old Mutual Wealth Phantom Share Reward Plan was an award over notional Old Mutual plc shares. This share-based payment scheme was transferred to awards over Quilter plc shares on 25 June 2018 and continues to the original vesting dates.

	Description of award				Vesting conditions			
Scheme	**Restricted Shares**	**Conditional Shares**	**Options**	**Other**	**Dividend entitlement[1]**	**Contractual Life(years)**	**Typical Service (years)**	**Performance (measure)**
Quilter plc Performance Share Plan	-	✓	-	-	✓	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan	-	✓	-	-	✓	Typically 3	3	-
Quilter plc Share Incentive Plan	✓	-	-	-	✓	Not less than 3	2	-
Quilter plc Sharesave Plan[2]	-	-	✓	✓	-	$3^{1/2}$ - $5^{1/2}$	3 & 5	-
Old Mutual Wealth Phantom Share Reward Plan - Conditional Shares[3]	-	✓	-	-	✓	Typically 3	3	-

[1]Participants are entitled to actual dividends for the Share Incentive Plan. For all other schemes, participants are entitled to dividend equivalents.

[2]The Quilter plc Sharesave Plan is linked to a savings plan.

[3]Awards granted under the Phantom Share Reward Plan prior to the demerger of Quilter plc were made over notional ordinary shares in Old Mutual plc that were settled in cash on the vesting date. Upon the demerger and listing of Quilter plc, all unvested notional share awards were converted to conditional awards over ordinary shares in Quilter plc, which will be settled in Quilter plc shares on the normal vesting dates.

26 SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of movements in options
The movements in options outstanding under the Performance Share Plan and Sharesave Plan arrangements during the year are detailed below.

	31 December 2020		31 December 2019 (restated)	
Options over shares (London Stock Exchange)	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at beginning of year	315,792	£1.25	-	-
Granted during the year	-	-	405,552	£1.25
Forfeited during the year	(5,760)	£1.25	(2,880)	£1.25
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Cancelled during the year	(3,600)	£1.25	(86,880)	£1.25
Outstanding at end of year	306,432	£1.25	315,792	£1.25
Exercisable at end of the year	-	-	-	-

The 2019 figures in the table above have been restated to address a presentational issue with the notes to the 2019 financial statements.

There were no options granted during the year ended 31 December 2020. The weighted average fair value of options at the measurement date, for options granted during the year ended 31 December 2020 is £1.25 (2019: £1.25).

The options outstanding at 31 December 2020 have an exercise price of £1.25 (2019: £1.25) for the Quilter plc Sharesave plan, with a weighted average remaining contractual life of 1.9 years (2019: 2.9 years).

Measurements and assumptions
In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Company makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted which is valued and 'locked in' at the grant date.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of fair value of share options granted is measured using either a Black-Scholes option pricing model or a Monte Carlo simulation.

The inputs used in the measurement of fair values at the grant date for awards granted during 2020 were as follows:

Scheme	Weighted average share price £	Weighted average exercise price £	Weighted average expected volatility	Weighted average expected life (years)	Weighted average risk-free interest rate	Weighted average expected dividend yield	Expected forfeitures per annum
Quilter plc Performance Share Plan - Conditional Shares	1.17	0.00	35.1%	3.02	0.1%	0.00%	4%

26 SHARE-BASED PAYMENTS (CONTINUED)

Share grants

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

	31 December 2020		31 December 2019	
Instruments granted during the year	**Number granted**	**Weighted average fair value**	**Number granted**	**Weighted average fair value**
Quilter plc Performance Share Plan – Conditional Shares	133,509	£1.17	26,486	£1.39
Quilter plc Share Reward Plan – Conditional Shares	33,103	£1.17	-	-

Financial impact

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

	31 December 2020 £	31 December 2019 £
Total expense arising from equity-settled share and share option plans	136,108	184,341

27 CONTINGENT LIABILITIES

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

28 EVENTS AFTER THE REPORTING DATE

On 30 July 2021, the Company was acquired by Quilter Cheviot Holdings Limited, an intermediate holding company within the Quilter plc Group.

29 ULTIMATE PARENT COMPANY

At 31 December 2020, the Company's immediate parent company was Blueprint Organisation Limited, a company registered in England and Wales.
From 30 July 2021, the Company's immediate parent company was Quilter Cheviot Holdings Limited, a company registered in England and Wales.

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

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