ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 December 2020

QUILTER CHEVIOT LIMITED

Registered in England and Wales No. 01923571

QUILTER CHEVIOT LIMITED

CONTENTS

QUILTER CHEVIOT LIMITED

COMPANY INFORMATION

Directors	P P Barnacle I M Buckley R Harris A I McGlone P G Tew
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: +44 (0)20 7150 4000 Website: www.quiltercheviot.com Registered number: 01923571

QUILTER CHEVIOT LIMITED

STRATEGIC REPORT

The Directors present their strategic report for Quilter Cheviot Limited (the "Company") for the year ended 31 December 2020.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The Company is registered in England and Wales and provides investment management services to private clients, charities, companies and institutions in the United Kingdom ("**UK**") through a network of offices in London and the regions. Investment management services are also provided by a branch in Jersey, Channel Islands. The Company also operates from a Dubai International Financial Centre ("**DIFC**") branch in the United Arab Emirates.

The Company is authorised and regulated by the Financial Conduct Authority ("**FCA**") and is regulated by the Jersey Financial Services Commission ("**JFSC**"), Guernsey Financial Services Commission and the Financial Sector Conduct Authority in South Africa. The Company's DIFC branch is regulated by the Dubai Financial Services Authority.

The Company grows its business organically by developing new client relationships direct with private clients and charities, and through a network of relationships with professional intermediaries such as financial advisers, lawyers and accountants. The growth strategy of the business also includes acquisitions.

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

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

Quilter plc strategy

Quilter aims to be the leading UK and cross-border full service wealth manager, providing advice-led investment solutions and investment platforms, focusing on delivering good customer outcomes. The breadth of the Group's model helps to generate prosperity for customers by providing the services to develop suitable financial plans, manage customers' investments in risk-based solutions and by helping customers access modern wealth wrappers via the Group's platforms. The unbundled, open nature of Quilter's model, offering flexibility to use one, two or all three components, is a key competitive advantage, provides customers and their advisers with choice at every stage ad imposes external market discipline on the Group's propositions. Quilter's purpose and strategy are underpinned by core beliefs, which include: the belief in the value of trusted face-to-face advice, that better choice for customers does not mean more choice, investment solutions should be simply packaged, that award-winning service and measurable outcomes for our customers should always offer good value, and that a company's purpose goes beyond making a profit and should focus also on being a responsible business as well as a responsible investor. The Directors believe that the Group's competitive advantage lies in its strong positions in attractive markets and its ability to offer high quality solutions across each element of the value chain at a competitive, transparent and unbundled price. Quilter's strategic objectives include delivering on customer outcomes, Advice and Wealth Management growth, Wealth Platforms growth, and optimisation.

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

The profit for the year, after tax, was £35,703,000 (2019: £57,435,000). The decrease is primarily due to a gain recognised in 2019 of £22,212,000 on the transfer of the Ireland branch clients to a subsidiary company, Quilter Cheviot Europe Limited ("**QCE**").

Income
Total net income, excluding net interest, for the year was £160,623,000, a 4% decrease on the previous year. The decrease is due to lower levels of commission income as well as 2019 including 7 months income from the Company's Irish branch prior to the transfer to QCE.

Expenses
Administration expenses for the year was £126,547,000, a 4% decrease on the previous year. The decrease is due to a reduction in staff costs of £4,760,000, including expenses related to deferred bonuses granted in prior years and £6,391,000 in other non-staff costs, offset by an increase in Group management charges of £2,430,000 and an impairment expense of £3,036,000 recognised on Kingsway property right-of-use asset.

Financial position
Net assets of £142,680,000 at 31 December 2020 were £887,000 (0.6%) higher than at 31 December 2019. The increase has primarily resulted from profits of £35,703,000 for the year, share capital of £12,000,000 issued to the Company's immediate parent, Quilter Cheviot Holdings Limited ("**QCHL**") and share based payments of £10,400,000, offset by dividends of £57,000,000 paid to QCHL.

KEY PERFORMANCE INDICATORS ("KPIs")
Funds under management ("**FUM**") as at 31 December 2020 was £25.3 billion. The majority of these assets are managed under discretionary agreements with clients, however execution only and investment advisory services are also provided.

	2020 £m	**2019 £m**
Net client cash flow ("**NCCF**")	264	(788)
Closing FUM	25,334	24,249
Average FUM	23,353	23,625

The table below shows the key performance indicators the Company uses to manage the business performance. The internal measure of profit is adjusted profit ("**AP**").

Table A: KPIs	**2020 £'000**	**2019 £'000**
AP before tax	42,464	44,669
Profit after tax	35,703	57,435

Table B: Reconciliation between AP before tax and profit after tax.

	2020 £'000	**2019 £'000**
AP before tax	42,464	44,669
Gain on business transfer	2,217	22,212
Acquisition accounting	(1,424)	(874)
Profit before tax for the financial year	43,257	66,007
Taxation	(7,554)	(8,572)
Profit after tax for the financial year	**35,703**	**57,435**

- Gain on business transfer, relates to the gain recognised on the transfer of clients to a subsidiary company, QCE on 1 August 2019 and 31 December 2020.

- Acquisition accounting relates to expenses recognised for the amortisation of customer relationships asset, unwinding of the discounting on the deferred consideration and write-off of the remaining acquisition liability on the acquisition of Violet No.2 Limited (formerly Attivo Investment Management Limited) ("**AIM**").

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy is subject to a number of risks. The key risks affecting the business are retention of key staff, transition change, liquidity risk and credit risk.

The Company has adopted the Enterprise Risk Management framework of the Group. This provides the framework for the monitoring, management and governance of risk, as detailed in note 27.

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

The Company manages the market risk associated with its principal activity at a client level.

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

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

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

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

Operational risk
Operational risk refers to the risk of financial or other loss, or damage to the Company's reputation, resulting from inadequate or failed internal processes, people, resources, systems or from other internal or external events (e.g. internal or external fraud, legal and compliance risks, etc.). Legal and compliance risk is included in the scope of operational risk and is discussed below under “Legal and regulatory risk”.

The Company's business is highly dependent on the ability to process, on a daily basis, a large number of transactions. The Company relies on the ability of its employees, its internal systems and controls, and systems operated by third parties to process a high volume of transactions.

The Company also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate securities transactions. In the event of a breakdown or improper operation of the Company's or a third party’s systems or improper action by third parties or employees, the Company could suffer financial loss, an impairment to its liquidity, a disruption of the Company's business, regulatory sanctions or damage to its reputation.

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

Legal and regulatory risk
Legal and regulatory risk includes the risk of exposure to fines, penalties, judgements, damages and/or settlements in conjunction with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements or litigation. Legal risk also includes contractual risk such as the risk that a counterparty's performance obligations will be unenforceable. In the current environment of rapid and possibly transformational regulatory change, the Company also views regulatory change as a component of legal risk.

Many of these reforms, if enacted, may affect the Company's business, financial condition, results of operations and cash flows in the future.

Risks associated with Brexit
There is a risk that Brexit, other political developments or developments otherwise affecting market confidence may result in outflows of assets from investment portfolios with exposure to the UK, which could include asset portfolios held by the Company. Due to the size and importance of the UK economy in the global economy, particularly with respect to the UK financial services market, as well as the uncertainty and unpredictability concerning the UK's legal, political, financial and economic relationship with the European Union ("**EU**") after Brexit, there may continue to be instability in the national and international financial markets, significant currency fluctuations and otherwise adverse effects on consumer confidence for the foreseeable future, including beyond the date of the UK's withdrawal from the EU.

Risks associated with COVID-19
Almost all of the Company's Principal Risks and Uncertainties has been impacted to some degree by COVID-19. As the business is operating in a challenging economic and market environment, the Company's performance has been materially impacted with gross sales, margin and profitability under pressure during 2020. The Company could be adversely impacted by falls in equity market levels, adverse investor sentiment affecting NCCF and increased operational risks should employment availability be badly affected. The length and severity of the impact remains unclear but the Company would not expect these to adversely change the underlying prospects of the business.

Basel II Pillar 3 disclosures
The disclosures of the Company made in order to comply with the FCA's rules, which implement in the UK the EU Directives underlying the capital adequacy framework, are available on the Company website.

SECTION 172 (1) STATEMENT

The Company is a wholly-owned subsidiary of Quilter plc and therefore complies with the policies and practices that are set by the Quilter plc Board and are described in the Quilter plc Annual Report. The following statement should therefore be read in conjunction with the Quilter plc 2020 Annual Report.

The Group has taken steps to embed a deeper understanding of the responsibilities ascribed to directors under section 172 (1) of the Companies Act 2006 at a Quilter plc-level and across its management committees and subsidiaries including the Company. Quilter Corporate Secretariat engage with management to explain the importance of the considerations referred to in section 172 (1) as part of good decision making, to ensure that proposals coming to the Board contain appropriate information on the potential impact of business decisions on all of the stakeholders of the Company and other relevant matters. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties to ensure that section 172 (1) considerations remain at the heart of the Group's decision-making at all levels.

In overseeing the Company's business during the year, the Board 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. A key activity of the Board in this regard has been overseeing the plans for increased collaboration with Quilter Private Client Advisers, a financial advice provider which primarily serves high-net worth clients, in order to better align these businesses around our clients. In doing this, the Board has emphasised to management the importance of having regard to the impacts of this initiative on advisers and employees.

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

- the transition to a remote-working environment, to ensure the continuity of service to clients, and the operational resilience of the business in that environment;
- the action taken to ensure continued compliance with regulatory obligations, particularly where normal processes or system functionality had been impacted by remote working, and to ensure the integrity of controls where workarounds had been introduced;
- the engagement with and support provided to advisers and clients throughout the period of market volatility, including those clients impacted by dividend reductions/cancellations or deemed vulnerable; and
- the action taken by management to support the safety and welfare of employees throughout the remote-working period and the feedback received from employees on the Company's response to the pandemic.

The Board regularly monitors investment performance, to provide assurance that the Company is delivering strong returns for its clients, and during the year reviewed the actions being taken to meet the expectations of our investors and regulators in respect of environmental, social and governance-related solutions. During the year, the Board has received regular reporting on client outcomes issues and has reviewed the findings from a client satisfaction and experience survey along with management's planned actions in response to the feedback gathered. The Committee has continued to oversee the progress made by the business to ensure the suitability of the services provided to clients and has closely monitored action taken by management in response to an increase in external fraudulent activity targeting our clients.

The Directors have continued to closely monitor the approach taken by management to mitigate the risks to clients and other stakeholders associated with Brexit. During the year, the Board took the decision to transfer the Company's European Economic Area ("**EEA**") resident clients to an Irish subsidiary of the Company, to ensure the continuation of service to those clients following the end of the Brexit transition period. The Board has also overseen the relocation of the Company's London premises, to ensure that it was executed in a safe and controlled manner to avoid disruption to the service provided to clients.

The Board and the Committee receive reporting from management on engagement with the Company's regulators and the work performed to ensure that the Company meets their expectations, including regular reporting on compliance with key regulatory requirements around capital and client assets. The Board also reviews regular reporting on employee matters, including the engagement scores across the business and any action being taken by management to improve engagement.

Approved by the Board and signed on its behalf by

A I McGlone
Director
9 March 2021

QUILTER CHEVIOT LIMITED

DIRECTORS' REPORT

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

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

FUTURE DEVELOPMENTS

The Directors expect there to be no significant change in the Company's principal activity.

DIRECTORS

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

P P Barnacle	(appointed 17 June 2020)
I M Buckley	
R Harris	
P J Hucknall	(resigned 24 September 2020)
A I McGlone	
P G Tew	

The Company Secretary during the year was Quilter CoSec Services Limited.

DIRECTORS' THIRD PARTY INDEMNITY PROVISIONS

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

DIVIDENDS

During the year dividends of £57,000,000 were paid to the holders of the ordinary shares (2019: £36,000,000). The Directors do not propose a final dividend.

POLITICAL DONATIONS

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

BUSINESS RELATIONSHIPS STATEMENT

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

An explanation of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, has been set out in the Section 172 (1) Statement above and in Quilter's 2020 Annual Report, which does not form part of this report.

EMPLOYEES

The Company is committed to the development of policies to promote an inclusive culture and equal opportunities in employment for all its employees and ensuring that everyone has the opportunity to fulfil their full potential regardless of diversity characteristics. It continues to support employees under the Equality Act 2010 by making reasonable adjustments to their work environment and the nature of their work.

As part of the Quilter Group governance framework, the Company relies upon Group practices and processes in order to support employees. Monitoring and oversight is described in full in Quilter's 2020 Annual Report. In 2020, the Quilter Group took additional measures to monitor colleagues' wellbeing and support them from the impact of the global pandemic. Measures included mobilising remote working capabilities and reconfiguring our offices in line with UK Government guidelines to enable modest numbers of staff, where appropriate, to operate in a socially-distanced manner.

An explanation of how the Quilter plc Board has carried out these responsibilities has been set out in the Section 172 (1) Statement above and in Quilter's 2020 Annual Report, which does not form part of this report.

CLIMATE CHANGE

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

STREAMLINED ENERGY AND CARBON REPORTING

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

INVESTING RESPONSIBLY

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

QUILTER CHEVIOT LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF GOING CONCERN

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 27 and 30 to the financial statements describe the Company’s objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

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

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

BRANCHES

Details of the Company's branches outside of the UK are set out in the strategic report.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the Company are disclosed in note 27.

INDEPENDENT AUDITORS

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

Statement as to disclosure of information to the auditors

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

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

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

Approved by the Board and signed on its behalf by

A I McGlone
Director
9 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

(a) select suitable accounting policies and then apply them consistently;
(b) state whether 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;
(c) make judgements and accounting estimates that are reasonable and prudent; and
(d) 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 AUDITOR'S REPORT TO THE MEMBERS OF QUILTER CHEVIOT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Quilter Cheviot Limited’s financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

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

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

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

Responsibilities for the financial statements and the audit

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

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

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

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

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 also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to 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 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;

- Reviewing relevant meeting minutes including those of the Board of Directors and the Audit Committee;

- Identifying and testing journal entries, including any journal entries created and approved by the same person, posted with unexpected account combinations against revenue, large revenue amounts, posted by unexpected persons and containing unusual account descriptions, where any such journal entries were identified;

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the provisions, the valuation of the actuarial liabilities of the defined benefit plans and the valuation of the intangible asset;

- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

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

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

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

9 March 2021

QUILTER CHEVIOT LIMITED

INCOME STATEMENT
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Fee and commission income	5	161,787	169,454
Fee and commission expense		(1,164)	(1,458)
Net fee and commission income		160,623	167,996
Interest income	6	2,938	10,606
Interest expense	6	(98)	(2,533)
Net interest income		2,840	8,073
TOTAL REVENUE		163,463	176,069
Other income	7	4,124	-
Administration expenses	8	(126,547)	(132,274)
Other gains and losses	13	2,217	22,212
PROFIT BEFORE INCOME TAX		43,257	66,007
Income tax expense	11	(7,554)	(8,572)
PROFIT FOR THE YEAR		35,703	57,435

All operations were continuing in the current and prior year.

The notes on pages 21 to 66 form an integral part of the financial statements.

QUILTER CHEVIOT LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
PROFIT FOR THE YEAR		35,703	57,435
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to income statement			
Currency translation reserve:			
Foreign currency translation differences on foreign operations	23	(169)	(240)
Items that will not be reclassified to income statement			
Retained earnings:			
Amounts related to defined benefit plans	32	-	(6,972)
Tax on amounts related to defined benefit pension plans	11	-	1,230
Total other comprehensive expense, net of tax		(169)	(5,982)
TOTAL COMPREHENSIVE INCOME		35,534	51,453

The notes on pages 21 to 66 form an integral part of the financial statements.

QUILTER CHEVIOT LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

2020	Share capital £'000	Special reserve £'000	Share based payment reserve £'000	Currency ranslation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	64,391	280	16,209	(368)	61,281	141,793
Profit for the year	-	-	-	-	35,703	35,703
Other comprehensive expense:						
- Foreign currency translation differences on foreign operations	-	-	-	(169)	-	(169)
Total comprehensive income	-	-	-	(169)	35,703	35,534
Transactions with owners:						
Company	-	-	-	-	(57,000)	(57,000)
- Issue of share capital	12,000	-	-	-	-	12,000
- Income tax relating to equity settled deferred compensation	-	-	-	-	(47)	(47)
- Share based payment expense	-	-	10,400	-	-	10,400
- Transfer to retained earnings	-	-	(10,473)	-	10,473	-
Balance at 31 December 2020	76,391	280	16,136	(537)	50,410	142,680
2019						
the period	64,391	280	11,620	(128)	41,251	117,414
IFRS 16	-	-	-	-	(551)	(551)
Balance at 1 January 2019	64,391	280	11,620	(128)	40,700	116,863
Profit for the year	-	-	-	-	57,435	57,435
Other comprehensive expense:						
- Foreign currency translation differences on foreign operations	-	-	-	(240)	-	(240)
- Defined benefit plans	-	-	-	-	(6,972)	(6,972)
- Income tax relating to components of other comprehensive income	-	-	-	-	1,230	1,230
Total comprehensive income	-	-	-	(240)	51,693	51,453
Transactions with owners:						
Company	-	-	-	-	(36,000)	(36,000)
- Income tax relating to equity settled deferred compensation	-	-	-	-	(84)	(84)
- Income tax relating to IFRS 16	-	-	-	-	323	323
- Share based payment expense	-	-	9,238	-	-	9,238
- Transfer to retained earnings	-	-	(4,649)	-	4,649	-
Balance at 31 December 2019	64,391	280	16,209	(368)	61,281	141,793

The notes on pages 21 to 66 form an integral part of the financial statements.

QUILTER CHEVIOT LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Intangible assets	15	4,632	6,098
Property, plant and equipment	14	6,301	19,656
Investments in subsidiaries	13	29,345	27,128
Accrued income	12	35,069	33,433
Prepayments		1,763	1,528
Deferred tax assets	19	6,446	5,648
Other receivables		4,881	2,283
Trade receivables		42,790	38,874
Cash and cash equivalents	25a	111,733	119,975
TOTAL ASSETS		242,960	254,623
EQUITY AND LIABILITIES			
EQUITY			
Share capital	23	76,391	64,391
Special reserve	23	280	280
Share based payments reserve	23	16,136	16,209
Currency translation reserve	23	(537)	(368)
Retained earnings		50,410	61,281
TOTAL EQUITY		142,680	141,793
LIABILITIES			
Accruals and deferred income		26,589	41,000
Lease liabilities	20	9,631	18,036
Deferred tax liabilities	19	815	954
Current tax		12,543	6,698
Provisions	18	850	7
Other payables	17	13,681	11,222
Trade payables		36,171	34,913
TOTAL LIABILITIES		100,280	112,830
TOTAL EQUITY AND LIABILITIES		242,960	254,623

The financial statements on pages 16 to 20 were approved by the Board of Directors on 9 March 2021 and signed on its behalf by

P Barnacle

P P Barnacle
Director

Company Registered Number: 01923571

The notes on pages 21 to 66 form an integral part of the financial statements.

QUILTER CHEVIOT LIMITED

STATEMENT OF CASH FLOWS
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	25b	40,429	42,404
INVESTING ACTIVITIES			
Acquisition liability	16	-	(3,805)
Purchase of property, plant and equipment	14	-	(166)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		-	(3,971)
FINANCING ACTIVITIES			
Issue of ordinary share capital	23	12,000	-
Payment of lease liabilities	20	(3,671)	(3,101)
Dividends paid to equity holders of the Company	24	(57,000)	(36,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(48,671)	(39,101)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,242)	(668)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		119,975	120,643
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25a	111,733	119,975

The notes on pages 21 to 66 form an integral part of the financial statements.

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

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

Statement of compliance

The Company has prepared its annual financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The primary financial statements in this document are presented in accordance with IAS 1 ‘Presentation of financial statements’.

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

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

- Amendments to References to the Conceptual Framework in International Financial Reporting Standards (“**IFRSs**”)
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform
- Amendments to IFRS 16 Leases – COVID-19-Related Rent Concessions

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

At the date of authorisation of these financial statements, there were no standards and interpretations relevant to the Company’s operations that were issued by the IASB that are mandatory for the Company's annual accounting periods beginning after 1 January 2021.

Basis of measurement

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

The going concern assumption

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of the business and Principal risks sections of the strategic report on pages 2 to 7. In addition, the notes to the financial statements include the Company’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

2. BASIS OF PREPARATION (continued)

The use of the going concern basis of accounting is considered appropriate, reflecting future expected profitability. An assessment of the impact of COVID-19 on the going concern for the Company has been completed, concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months. 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.

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

Critical accounting estimates and judgements

The preparation of financial information requires the Company to make judgements, estimates and assumptions on matters that affect the financial statements and related disclosures. The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

The Company does not have any critical accounting judgements, which would have a material impact on the financial statements when applying its significant accounting policies.

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 actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Area	Critical accounting estimates	Notes
Provision	The amount of provision is calculated based on the Company's estimation of the amount required to settle the obligation at the reporting date.	18
Measurement of deferred tax	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of FUM, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Company assesses recoverability based on estimated taxable profits over a 3 year planning horizon. Where credible longer term profit forecasts are available, the Company may assess recoverability over a longer period, subject to a higher level of sensitivity testing. Following the impact that COVID-19 has had on global markets and, in particular, on the Company's expected future levels of FUM, management have reassessed the sensitivity on the recoverability of deferred tax assets based on the latest forecast cash flows.	19

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Area	Critical accounting estimates	Notes
Valuation of defined benefit pension scheme obligations	The valuation of the pension scheme obligation is based on actuarial assumptions, around discount rates, inflation, and mortality rates. Management reassess the reliability of these assumptions, following review by Group actuaries.	32

a. Functional currency

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

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

b. Foreign currencies

All monetary assets and liabilities denominated in currencies other than pounds sterling are translated into pounds sterling at the rates ruling at the reporting date. Assets and liabilities of the Ireland branch are translated into pounds sterling using the closing rate method. Transactions in currencies other than pounds sterling are recorded at the rates prevailing at the dates of the transactions. Translation differences arising from the net investment in the Ireland branch are taken to the 'Currency translation reserve' in equity. All other translation differences are taken through the income statement. Exchange differences recognised in the income statement are presented in ‘Fee and commission income’ or ‘Administration expenses’, except where noted in 3(c) below.

c. Financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Subsequent measurement
Under IFRS 9, the classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which 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 financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities, including the Company's trade payables, are measured at amortised cost using the effective interest method.

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

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

Impairment of financial assets
The impairment model applies to financial assets measured at amortised cost and contract assets but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents (excluding money market collective investment funds which are measured at fair value).

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**").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 judgement, based on the lifetime probability of default ("**PD**"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

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

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

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

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

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost (not currently applicable to the Company) are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will go over 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Fair value of financial instruments

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

e. Fair value hierarchy

Fair values are determined according to the following hierarchy.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

f. Impairment of financial assets

At each reporting date, an assessment is made as to whether there is any objective evidence of impairment in the value of a financial asset classified as loans and receivables, and investment in subsidiaries. Impairment losses are recognised if an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated.

Impairment losses on investments in subsidiaries, measured as the difference between cost and the current estimated recoverable amount, are recognised within the income statement in 'Net gains/losses on investments in subsidiaries' and are reflected against the carrying amount of the impaired asset on the statement of financial position.

Impairment losses on loans and receivables carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the asset's original effective interest rate. Such impairment losses are recognised in the income statement within 'Other expense' and are reflected against the carrying amount of the impaired asset on the statement of financial position. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed as detailed in note 3(c). Any reversal is limited to the extent that the value of the asset may not exceed the original amortised cost of the asset had no impairment occurred.

g. Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

h. Revenue, including revenue from customer contracts

The Company earns revenue from contracts with its customers. Under these contracts the Company has concluded that the investor/client is the customer. Depending on the nature of the contract and the services required by the customer, the Company may have one, or a number of performance obligations, within each contract. Revenue is recognised in accordance with IFRS 15 as the relevant performance obligations are satisfied. Further details of the Company's performance obligations are provided below.

Investment management fees
The Company provides investment management services to clients on an ongoing basis, this includes providing discretionary management services. These services are deemed to be a single performance obligation that is satisfied over time. Revenue from this performance obligation is accrued monthly, billed and collected quarterly, for the majority of clients. Other revenue streams may be accrued and billed at different durations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commission
The Company provides trading and execution services to certain clients which constitutes a series of discrete services, each of which satisfied at the point in time that the trade is executed. Revenue arising from this performance obligation is recognised, billed and collected when the transaction is performed.

Interest
Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate.

'Fees and commission expense' includes transaction and service fees. These amounts are recognised as the related services are performed or received.

i. Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment in value, which are included within 'Administration expenses' in the income statement.

Depreciation is provided on property, plant and equipment at rates calculated to write off the cost of the assets on a straight-line basis over their expected useful lives as follows:

Right-of-use assets	- min 1 year, max 15 years
Leasehold improvements	- Remaining life of lease
Fixtures, fittings and equipment	- 5 years
Information technology	- 4 years

j. Intangible assets

Customer relationships acquired through business acquisitions

Customer relationships acquired by the Company through business combinations are recognised as intangible assets and are stated at fair value less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in 'Administration expenses' in the income statement on a straight line basis over the estimated useful life of the customer relationships from the date that they are available for use, which is estimated as being 7 years.

Software

Software purchased by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in 'Administration expenses' in the income statement on a straight-line basis over the estimated useful life of the software from the date that it is available for use. The estimated useful life of purchased software is one to three years.

k. Taxation

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit.

l. Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

m. Leases

IFRS 16 Leases

Under IFRS 16, the Company assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess where a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

For lessee contracts, the right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability, adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred. Adjustments are also made, where appropriate, for dilapidation requirements and lease incentives received such as rent free periods. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the asset specific incremental borrowing rates.

Subsequent to lease commencement, the Company measures the right-of-use asset using a cost model, whereby the asset is held at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged to the income statement on a straight line basis to write down the cost of the right-of-use asset to its residual value over its estimated useful life which is dependant on the length of the lease. In addition, the carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability. The lease liability is subsequently measured at amortised cost using the effective interest method and also reflects any lease modifications or reassessments.

The Company presents its right-of-use assets in ‘Property, plant and equipment’ and lease liabilities in ‘Lease liabilities’ in the statement of financial position. The Company does not have any right-of-use assets that would meet the definition of investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company currently has material lease commitments of varying durations for the rental of numerous office buildings. The future lease cash outflows within the Company are not exposed to variable lease payments, low value or short term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions. The Company has assumed that where extension options are available, the Company will automatically exercise the options at the relevant time. The Company will also reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Details of the right-of-use assets and finance charge on lease liabilities can be found in note 14, ' Property, plant and equipment' and note 20, 'Lease liabilities'.

Sub-lessor:
Sub-lease rentals receivable under operating leases are credited to 'Administration expenses' in the income statement on a straight line basis over the lease term.

n. Share based payments

The services rendered in an equity-settled transaction with employees are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at the grant date.

If the equity instruments granted vest immediately and the employee is not required to complete a specified period of service before becoming unconditionally entitled to those instruments, the services received are recognised in full on the grant date in the income statement for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in the income statement as they are rendered during the vesting period, with a corresponding increase in equity.

The equity instruments granted by the Company are measured at fair value at measurement date using standard option pricing valuations models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

o. Retirement benefits

The Company operates two defined contribution schemes, the Quilter Cheviot Limited 1997 Retirement Benefits Scheme (the "**Money purchase scheme**"), and the Blue Riband Channel Islands Retirement Plan (the "**Jersey plan**"). Contributions due are recognised in 'Administration expenses' in the income statement when payable.

The Company also operates two defined benefit pension schemes, the Quilter Cheviot Limited Retirement Benefits Scheme (the "**UK Scheme**") and the Quilter Cheviot Channel Islands Retirement Benefits Scheme (the "**CI Scheme**").

For the Company's defined benefit retirement plans, the plan obligations are measured on an actuarial basis in accordance with the advice of independent qualified actuaries using the projected unit credit method, which measures the pension obligation as the present value of estimated future cash outflows. The discount rate used is determined on the yields for investment grade rate corporate bonds that have maturity dates approximating to the terms of the Company's obligations. Plan assets are measured at their fair value at the reporting date. A net surplus or deficit of the defined benefit plan is recognised as an asset or liability in the statement of financial position and represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The value of any asset is recognised where there is an unconditional right to realise the asset in the future, and is restricted to the sum of any unrecognised past service costs plus the present value of available funds and reductions in future contributions to the plan.

The current and past service costs, curtailments and settlements are charged to 'Administration expenses' in the income statement.

Remeasurements which comprise gains and losses as a result of experience adjustments and changes in actuarial assumptions, the actual return on plan assets (excluding interest) and the effect of the asset ceiling are recognised immediately in OCI in the period in which they occur. Remeasurements are not reclassified in the income statement in subsequent periods. Administration costs (other than the costs of managing plan assets) are recognised in the income statement when the service is provided.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailments, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

Details of the schemes are given in note 32 to these financial statements.

p. Client money

The Company holds cash on behalf of its clients in segregated accounts in accordance with the FCA's client money rules. Such monies and the corresponding liability to clients are not shown on the face of the statement of financial position where the Company is not beneficially entitled thereto. Interest earned on cash balances is included in 'Interest income' within the income statement.

q. Trade receivables and trade payables

Trade receivables and trade payables are amounts due from/to clients and other counterparties as a result of transactions on behalf of clients of the Company. The majority of transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe.

4. BUSINESS TRANSFER

On 1 August 2019, the Company transferred the clients, trade and assets from its Ireland branch to Quilter Cheviot Europe Limited ("**QCE**"), another subsidiary company. The Company received shares in QCE as consideration for this transfer and a gain on transfer of £22,212,000 was recognised in 'Other gains and losses' in the income statement.

On 31 December 2020, the Company transferred EEA-resident clients to QCE. The Company received shares in QCE as consideration for this transfer and a gain on transfer of £2,217,000 was recognised in 'Other gains and losses' in the income statement.

5. FEE AND COMMISSION INCOME

	2020 £'000	**2019 £'000**
Investment management fees	140,699	145,401
Commission	21,088	24,053
	161,787	169,454

6. INTEREST INCOME AND INTEREST EXPENSE

'Interest income' and 'Interest expense' represent total interest income and total interest expense for financial assets and financial liabilities that are not carried at fair value.

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed as 'Interest income' within the income statement.

No other gains or losses have been recognised in respect of financial liabilities measured at amortised cost other than as disclosed as 'Interest expense' within the income statement.

7. OTHER INCOME

'Other income' represents amounts recharged to other Group undertakings during the year.

8. ADMINISTRATION EXPENSES

	Note	2020 £'000	2019 £'000
Staff costs	9	74,656	79,404
Operating lease rentals	21	-	64
Depreciation on property, plant and equipment	14	1,092	1,283
Depreciation on right-of-use assets	14	2,525	2,774
Amortisation of intangible assets	15	1,466	1,501
Management charges from other Group undertakings relating to other services		10,216	7,786
Write-off of acquisition liability	16	-	(627)
Lease liability interest charge	20	382	512
Impairment of right of use asset	14	3,036	-
Other		33,174	39,577
		126,547	132,274

	2020	2019
Auditor's remuneration:		
Audit fees:		
Audit of the Company's financial statements	110	143
Audit of the financial statements of other Group undertakings	24	17
Fees for other services:		
Audit- related assurance services for the Company	179	154
Audit- related assurance services for other Group undertakings	24	2

Audit fees consists of fees in respect of statutory audits. Audit-related assurance services consists of fees in respect of CASS audit work, profit verifications, Group reporting audits and regulatory audit work. In 2020, audit fees have been borne by another Group company and recharged to the Company within the management charge.

9. STAFF COSTS

The monthly average number of employees of the Company including the Directors, is analysed below:

	2020	2019
Investment managers	169	164
Support staff	423	433
	592	597

The costs of the staff including directors are analysed below:

	2020 £'000	2019 £'000
Wages and salaries	63,935	67,199
Social security costs	7,144	8,836
Other pension costs	3,577	3,369
	74,656	79,404

An expense of £11,131,000 (2019: £10,691,000) is included within 'Staff costs', related to other share based payment schemes granted to employees.

10. DIRECTORS' REMUNERATION

	2020 £'000	2019 £'000
Total emoluments of all directors:		
Aggregate emoluments	708	1,167
Amounts received under long-term incentive schemes	454	502
Company contributions to pension schemes	12	9
	1,174	1,678
Disclosures in respect of the highest paid director:		
Aggregate emoluments	360	505
Amounts received under long-term incentive schemes	351	282
Company contributions to pension schemes	6	9
	717	796

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

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

Three directors, including the highest paid director, received or were due to receive shares or share options under long-term incentive schemes (2019: four). Two directors, including the highest paid director, exercised options during the year (2019: two).

10. DIRECTORS' REMUNERATION (continued)

Shares or share options were in Old Mutual plc shares for the period up to the Quilter plc listing date (25 June 2018), and in Quilter plc shares for the period from listing date onwards.

There are three directors to whom retirement benefits are accruing under a money purchase scheme (2019: three). The Company operated defined benefit pension schemes in the UK and Channel Islands, which are both closed to new members. No directors have deferred defined benefits under these schemes (2019: None).

11. INCOME TAX EXPENSE

	2020 £'000	2019 £'000
Current tax expense		
UK corporation tax	8,718	9,056
Adjustments in respect of prior years	(218)	(31)
Overseas current taxation	291	426
	8,791	9,451
Deferred tax expense		
Origination and reversal of temporary differences	(674)	(1,086)
Effect of changes in tax rates	(553)	146
Adjustment in respect of prior years	(10)	61
Income tax expense	7,554	8,572

Reconciliation of effective tax rate

The current year income tax expense is lower than that resulting from applying the average standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The main differences are explained below:

	2020 £'000	2019 £'000
Profit before income tax	43,257	66,007
Income tax using the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	8,219	12,541
Impact on tax of:		
Expenses not deductible for tax purposes	500	405
Adjustment in respect of prior years	(218)	(31)
Non taxable income and gains	(105)	(4,220)
Overseas profits and losses taxed at lower rates	(279)	(330)
Deferred tax - change in tax rates	(553)	146
Deferred tax - prior year adjustment	(10)	61
Total income tax expense in the income statement	7,554	8,572

11. INCOME TAX EXPENSE (continued)

Factors that may affect future charges

The Company has recognised deferred tax balances as disclosed in note 18. The Company considers that the future year's profits will be sufficient to utilise the tax asset carried forward.

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

	2020 Before tax £'000	2020 Tax benefit £'000	2020 Net of tax £'000	2019 Before tax £'000	2019 Tax benefit £'000	2019 Net of tax £'000
Foreign currency translation differences on foreign operations	(169)	-	(169)	(240)	-	(240)
Actuarial losses on defined benefit pension plans	-	-	-	(6,972)	1,230	(5,742)
Other comprehensive loss	(169)	-	(169)	(7,212)	1,230	(5,982)
Equity-settled deferred compensation	-	(47)	(47)	-	(84)	(84)
Amounts recognised directly in equity	-	(47)	(47)	-	(84)	(84)

12. ACCRUED INCOME

	2020 £'000	2019 £'000
Accrued fee income receivable	35,069	33,433
	35,069	33,433

Accrued income is classified as financial assets at amortised cost.

13. INVESTMENTS IN SUBSIDIARIES

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

	2020 £'000	2019 £'000
Cost and net book value		
At 1 January	27,128	158
Additions	2,217	26,970
At 31 December	29,345	27,128

In 2019 two new subsidiaries of the Company were incorporated. Quilter Cheviot Europe Limited ("**QCE**") was incorporated in Ireland on 8 February 2019. Quilter Cheviot International Limited ("**QCIL**") was incorporated in Jersey on 2 April 2019.

In 2019, the Company recognised an investment in QCE of £26,945,000, of which £22,212,000 representing the gain on transfer of Ireland branch clients to QCE. The Company recognised an investment in QCIL of £25,000. In 2020, the Company recognised an increase in investment in QCE of £2,217,000, representing the gain on transfer of EU clients managed in the UK and Jersey branch to QCE.

Dividend income of £nil was recognised during the year (2019: £Nil).

Details of the investments in subsidiaries of the Company at 31 December 2020 are as follows:

Name of Company	Registered office	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights held	Nature of business
Cheviot Capital (Nominees) Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Nominee
C.I.P.M. Nominees Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100%	100%	Nominee
Pembroke Quilter (Ireland) Nominees Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	Ordinary	100%	100%	Nominee

13. INVESTMENTS IN SUBSIDIARIES (continued)

Name of Company	Registered office	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights held	Nature of business
QGCI Nominees Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100%	100%	Nominee
Quilter Cheviot Europe Limited	Hambleden House 19-26 Lower Pembroke Street Dublin 2 D02 WV96	Ireland	Ordinary	100%	100%	Financial Services
Quilter Cheviot International Limited	3rd Floor Windward House La Route de la Liberation St Helier JE1 1QJ	Jersey	Ordinary	100%	100%	Dormant
Quilter Nominees Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Nominee
Quilpep Nominees Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Nominee
Violet No.2 Limited	Senator House 85 Queen Victoria Street London EC4V 4AB	United Kingdom	Ordinary	100%	100%	Dormant

14. PROPERTY, PLANT AND EQUIPMENT

2020	Right-of-use assets £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Information technology £'000	Total £'000
Cost					
At 1 January 2020	27,841	6,639	3,620	4,035	42,135
Additions	887	-	-	-	887
Reassessment of IFRS 16 lease	(6,003)	-	-	-	(6,003)
Impairment of IFRS 16 lease	(3,036)	-	-	-	(3,036)
Disposals	-	(4,083)	(1,790)	(1,719)	(7,592)
At 31 December 2020	19,689	2,556	1,830	2,316	26,391
Accumulated depreciation					
At 1 January 2020	13,532	3,621	3,142	2,184	22,479
Charge for the year	2,525	482	170	440	3,617
Disposals	-	(2,599)	(1,727)	(1,680)	(6,006)
At 31 December 2020	16,057	1,504	1,585	944	20,090
Net book value					
At 31 December 2020	3,632	1,052	245	1,372	6,301

2019	Right-of-use assets £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Information technology £'000	Total £'000
Cost					
At 1 January 2019	-	9,345	3,626	3,919	16,890
Implementation of IFRS 16	30,482	-	-	-	30,482
Additions	106	14	-	152	272
Disposals	(2,747)	(2,720)	(6)	(36)	(5,509)
At 31 December 2019	27,841	6,639	3,620	4,035	42,135
Accumulated depreciation					
At 1 January 2019	-	4,898	2,948	1,623	9,469
Implementation of IFRS 16	11,324	-	-	-	11,324
Charge for the year	2,774	486	200	597	4,057
Disposals	(566)	(1,763)	(6)	(36)	(2,371)
At 31 December 2019	13,532	3,621	3,142	2,184	22,479
Net book value					
At 31 December 2019	14,309	3,018	478	1,851	19,656

During the year, the Company recognised a reduction in both the right-of-use asset and liability for the Kingsway property of £6,003,000, as the lease is expected to be terminated on the break clause date instead of the contract end date. In addition, an impairment of £3,036,000 was recognised for the right-of-use asset as the property is vacant as at 31 December 2020.

15. INTANGIBLE ASSETS

2020

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2020	9,966	130	10,096
Additions	-	-	-
At 31 December 2020	9,966	130	10,096
Accumulated amortisation			
At 1 January 2020	3,915	83	3,998
Amortisation	1,424	42	1,466
31 December 2020	5,339	125	5,464
Carrying amounts			
At 31 December 2020	4,627	5	4,632

2019

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2019	9,966	195	10,161
Disposals	-	(65)	(65)
At 31 December 2019	9,966	130	10,096
Accumulated amortisation			
At 1 January 2019	2,492	70	2,562
Amortisation	1,423	78	1,501
Disposals	-	(65)	(65)
At 31 December 2019	3,915	83	3,998
Carrying amounts			
At 31 December 2019	6,051	47	6,098

Customer relationships assets have been amortised from 29 March 2017 (the effective date), when the AIM clients were transferred to the Company. The remaining amortisation period on the customer relationship asset is 3 years.

The Company has undertaken an impairment review of the carrying value of customer relationships and have concluded that no impairment has occurred in the financial year.

16. ACQUISITION LIABILITY

On 29 March 2017, the entire share capital of AIM, was purchased by the Company for £8,341,000, of which £4,590,000 was cash consideration and £3,751,000 was deferred consideration.

Acquisition liability represents the present value of deferred consideration payable on 29 March 2019, on the acquisition of AIM. The unwinding of the discounting is included within 'Administration expenses' in the income statement.

During 2019, the outstanding liabilty was settled.

	2020 £'000	2019 £'000
At 1 January	-	4,347
Finance charge	-	85
Acquisition liability paid during the year	-	(3,805)
Write-off acquisition liability	-	(627)
At 31 December	-	-

Financial liabilities classified as an acquisition liability is Level 3 in the fair value hierarchy as described in note 3e.

17. OTHER PAYABLES

	Note	2020 £'000	2019 £'000
Amounts due to other Group undertakings	33	6,287	5,713
Other amounts payable		7,394	5,509
		13,681	11,222

Amounts due to other Group undertakings are unsecured, interest free and repayable on demands.

18. PROVISIONS

	Property £'000	Client matters £'000	Total £'000
At 1 January 2020	7	-	7
Additional provisions	-	850	850
Provisions utilised	(7)	-	(7)
At 31 December 2020	-	850	850

Property
Property provisions represent the value of expected future costs of excess office space (net of sublease income) and the value of expected future costs of reinstating leasehold improvements at the end of the lease term. Lease reinstatement provisions are released when the reinstatement obligations have been fulfilled. The Company has initially applied IFRS 16 at 1 January 2019 using the modified retrospecitve approach. Under IFRS 16, the property provisions are included within the lease liability and removed from provisions. The provision remaining at the end of 2019, relates to a lease outside the scope of IFRS 16.

18. PROVISIONS (continued)

Client matters

Client matters provisions represent client compensation claims at the end of the financial year.

19. DEFERRED TAX

Deferred tax balances recognised

Deferred taxes are calculated on all temporary differences under the liability method.

The following are the deferred tax balances recognised by the Company and the movement thereon, during the current and prior year.

Assets	**2020 Deferred tax asset £'000**	**2020 Income statement £'000**	**2020 OCI statement £'000**	**2020 Equity adjustment £'000**
Accelerated tax depreciation	870	42	-	-
Deferred compensation	4,717	958	-	-
Other temporary differences	859	99	(301)	-
	6,446	1,099	(301)	-

	2019 Deferred tax asset £'000	**2019 Income statement £'000**	**2019 OCI statement £'000**	**2019 Equity adjustment £'000**
Accelerated tax depreciation	828	(142)	-	-
Deferred compensation	3,759	806	-	-
Other temporary differences	1,061	(131)	808	323
	5,648	533	808	323

Liabilities	**2020 Deferred tax liability £'000**	**2020 Income statement £'000**	**2019 Deferred tax liability £'000**	**2019 Income statement £'000**
Intangibles	815	(139)	954	(347)
	815	(139)	954	(347)

The main rate of corporation tax is 19%. The reduction to 17% due to come into effect from 1 April 2020 was cancelled. On the 3 March 2021, the Chancellor of the Exchequer announced in the Budget a future increase in the corporation tax rate from 19% to 25%, effective from 1 April 2023. The change in rate has not yet been substantially enacted but had it been at 31 December 2020, the impact on the Company's deferred tax assets and liabilities would be immaterial.

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

All deferred tax assets and liabilities have been recognised.

20. LEASE LIABILITIES

Lease liabilities represent the obligation to pay lease rentals as required by IFRS 16 and are categorised as financial liabilities at amortised cost.

	2020 £'000	2019 £'000
Lease liabilities at lessee's incremental borrowing rate (1.6% - 2.7%)		
Opening balance at 1 January	18,036	-
Implementation of IFRS 16	-	22,782
Additions	887	106
Disposal	-	(2,263)
Lease reassessment	(6,003)	-
Finance interest charge for the year	382	512
Payment of lease liability	(3,671)	(3,101)
Lease liability at 31 December	9,631	18,036
Lease liability to be settled within 12 months	2,595	3,164
Lease liability to be settled after 12 months	7,036	14,872
Total discounted lease liability at 31 December	9,631	18,036
Maturity analysis – contractual undiscounted cash flows		
Less than one year	2,714	3,585
One to five years	6,474	8,882
More than 5 years	796	7,510
Total undiscounted lease liability at 31 December	9,984	19,977

21. COMMITMENTS AND CONTINGENCIES

Leases

The Company has entered into non-cancellable commercial leases on premises and equipment.

The Company has also entered into sub-leases on certain of its commercial leases.

	2020 £'000	2019 £'000
Lease payments under non-cancellable operating leases recognised as an expense in the year		
- Minimum lease payments	-	64

22. CONTINGENT LIABILITIES

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

23. EQUITY

Share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
76,390,715 (2019: 64,390,715) ordinary shares of £1 each	76,391	64,391

12,000,000 (2019: Nil) ordinary shares were issued during the year for cash consideration.

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

Reserves

Special reserve
On 16 July 1997, the High Court of Justice granted an order, effective from 17 July 1997, that the Company reduce its capital. The Order states that, if the Company receives from any subsidiary any distribution paid out of profits available for distribution prior to 1 January 1997, the whole of such dividend shall be credited to a separate reserve to be maintained in the books of the Company called the "Special Reserve". The Company received no dividends from subsidiary undertakings during 2020 relating to distributable profits prior to 1 January 1997 (2019: £nil).

Share based payments reserve
Share based payment schemes were granted to employees. An expense of £10,400,000 has been recognised in the income statement for the fair value of the share based payment schemes (2019: £9,238,000), and credited to retained earnings.

Currency translation reserve
The ‘Currency translation reserve’ comprises all foreign exchange differences arising from the translation of the total assets less total liabilities of foreign operations.

24. DIVIDENDS

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

	2020		2019	
	Per share £	Total £'000	Per share £	Total £'000
Dividends on ordinary shares - interim	0.7462	57,000	0.5591	36,000

No final dividend has been declared.

25. ADDITIONAL CASH FLOW INFORMATION

a. Cash and cash equivalents

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

	2020 £'000	2019 £'000
Cash at bank	36,728	29,969
Cash held in money market funds	75,000	90,000
Cash on hand	5	6
	111,733	119,975

25. ADDITIONAL CASH FLOW INFORMATION (continued)

b. Reconciliation of cash flows from operating activities

	Note	2020 £'000	2019 £'000
Profit for the year		35,703	57,435
Adjustments for:			
Depreciation on property, plant and equipment	14	1,092	1,283
Depreciation on right-of-use asset	14	2,525	2,774
Amortisation of intangible assets	15	1,466	1,501
Actuarial losses on defined benefit plans		-	(1,245)
Net changes in shares in subsidiary undertakings	13	-	(4,758)
Share based payment expense	23	10,400	9,238
Other gains and losses		(2,217)	(22,212)
Finance charge	16	-	85
Write-off of acquisition liability	16	-	(627)
Lease liabilities interest expense		382	512
Lease disposal adjustment		-	(82)
Write off of property, plant and equipment		1,586	-
Impairment of right of use asset	14	3,036	-
Interest income		(2,938)	(10,606)
Interest expense		98	2,533
Income tax expense	11	7,554	8,572
Profit before changes in operating assets and liabilities		58,687	44,403
Changes in operating assets			
Increase in trade and other receivables		(6,514)	(3,815)
(Increase)/decrease in prepayments		(235)	1,165
(Increase)/decrease in contract assets and accrued income		(1,637)	1,086
		(8,386)	(1,564)
Changes in operating liabilities			
Increase in trade and other payables		3,717	5,754
(Decrease)/increase in accruals and deferred income		(14,411)	1,732
Decrease in provisions		843	(143)
		(9,851)	7,343
Interest received		2,938	10,606
Interest paid		(98)	(2,533)
Income taxes paid		(2,692)	(9,884)
Amounts related to defined benefit plans		-	(5,727)
Effect of foreign exchange movements		(169)	(240)
Net cash flows generated from operating activities		40,429	42,404

26. EXPECTED MATURITY OF ASSETS AND LIABILITIES

The Company's financial assets and liabilities expected maturity dates are disclosed in note 27.

None of the Company's non-financial assets and liabilities are expected to be recovered or settled more than twelve months after the financial year (2019: none).

27. FINANCIAL RISK MANAGEMENT

Risk Management framework

The Enterprise Risk Management ("**ERM**") framework is defined by Quilter plc has been adopted by the Company. The ERM framework comprises core components such as:

- 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, measurement, assessment, management and monitoring of risk, including assignment of risk owners and risk reporting;
- the culture and behaviour that is exhibited and the associated reward mechanisms.

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

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

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

Credit risk

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

The Group has established a credit risk policy which sets out restrictions on the permitted financial transactions with counterparties to control and monitor the level of credit risk to which the Company is exposed, and the Company has adopted this policy. The credit risk exposures of the Company are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits.

The Company is exposed to credit and counterparty risk in financial institutions (primarily through the investment of its shareholder funds), corporate entities (including external fund managers and reinsurers) and individuals (primarily through fund management trade settlement activities).

27. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

Investment of shareholder funds
The risk of counterparty default in respect of the investment of shareholder funds is managed through:
- Setting minimum credit rating requirements for counterparties;
- Setting limits and early warning indicators for individual counterparties and counterparty concentrations;
- Monitoring exposures regularly against approved limits; and
- Reviewing counterparties and associated limits on at least an annual basis.

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

Maximum exposure to credit risk
The table below represents the Company's maximum exposure to credit risk. The Company's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements. Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Company would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The 'not rated' balances represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

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

27. FINANCIAL RISK MANAGEMENT (continued)

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

At 31 December 2020	**AAA £'000**	**AA £'000**	**A £'000**	**BBB £'000**	**Not rated £'000**	**Carrying value £'000**
Assets at FVTPL						
Cash and cash equivalents	75,000	-	-	-	-	75,000
Assets subject to 12 month ECL						
Cash and cash equivalents	-	-	36,163	565	5	36,733
Assets subject to lifetime ECL						
Trade receivables	-	-	-	-	42,790	42,790
Other receivables	-	-	3,691	-	1,190	4,881
Accrued income	-	-	-	-	35,069	35,069
	75,000	-	39,854	565	79,054	194,473

At 31 December 2019	**AAA £'000**	**AA £'000**	**A £'000**	**BBB £'000**	**Not rated £'000**	**Carrying value £'000**
Assets at FVTPL						
Cash and cash equivalents	90,000	-	-	-	-	90,000
Assets subject to 12 month ECL						
Cash and cash equivalents	-	8,068	21,636	265	6	29,975
Assets subject to lifetime ECL						
Trade receivables	-	-	-	-	38,874	38,874
Other receivables	-	-	589	-	1,694	2,283
Accrued income	-	-	-	-	33,433	33,433
	90,000	8,068	22,225	265	74,007	194,565

Impairment allowance

Assets that are measured and classified at amortised cost are monitored for any expected credit loss ("**ECL**") on either a 12 month or lifetime ECL model. The majority of such assets within the Company are measured on the lifetime ECL model, with the exception of cash and cash equivalents that are on the 12 month ECL model. There has been no impairment allowance assessed in the current of prior year.

27. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

Equity and property price risk
In accordance with the market risk policy, the Company does not invest shareholder assets in equity or property, or related collective investments.

The Company derives fees (e.g. annual management charges) and incurs costs (e.g. adviser fund based renewal commissions) which are linked to the performance of the underlying assets. Therefore future earnings will be affected by equity and property market performance.

Equity price sensitivity testing
A movement in equity prices would impact the fee income that is based on the market value of the investments held for the clients. The sensitivity is applied as a shock to equity prices at the start of the year.

Impact on profit after tax	**2020 £'000**	**2019 £'000**
Impact of 10% increase in equity prices	6,343	6,634
Impact of 10% decrease in equity prices	(6,343)	(6,634)

Interest rate risk
Interest rate risk arises primarily from bank balances and money market funds held with financial institutions.

Interest rate sensitivity testing
The impact of an increase and decrease in market interest rates of 0.5% is tested (e.g. if the current interest rate is 1%, the test allows for the effects of an instantaneous change to 0.5% and 0.5% from the start of the year). The sensitivity of both profit and shareholder's equity to interest rates is provided.

Impact to profit after tax	**2020 £'000**	**2019 £'000**
Impact of 0.5% increase in interest rates	6,465	6,897
Impact of 0.5% decrease in interest rates	(2,300)	(6,411)

27. FINANCIAL RISK MANAGEMENT (continued)

Currency translation risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is Pounds sterling, which accounts for the majority of the Company's transactions, but the Company also has minor exposure to foreign exchange risk in respect to accounts receivable and future revenues denominated in US Dollars and Euros.

The Company has foreign currency exposure arising from its investment in an Irish subsidiary, which operates in Euros. The foreign currency exposure, relating to Euros at 31 December 2020 is £116,000 (2019: £850,000).

At 31 December 2020, if the UK pound had weakened/strengthened by 10% against the Euro with all other variables held constant, total comprehensive income for the year would have been £22,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated receivables (2019: £85,000).

The Company also has foreign currency exposure arising from its assets and liabilities in currencies other than pounds sterling. The foreign currency exposures, relating to other currencies at 31 December 2020 is £3,500,000 (2019: £4,324,000). Each currency is actively managed, and compared with appropriate limits. The residual currency risk for the Company from this activity is not material.

Liquidity risk

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

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

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

Liquidity is monitored, with management actions taken at a business level to ensure the Company has liquidity to cover its minimum liquidity requirement, with an appropriate buffer.

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

27. FINANCIAL RISK MANAGEMENT (continued)

Maturity analysis
In the following maturity analysis of financial assets and financial liabilities, amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2020. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from those financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

2020	On demand £'000	Less than one month £'000	Equal to or more than 1 month but less than 1 year £'000	Equal to or more than 1 year but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
Financial assets						
Cash and cash equivalents	111,733	-	-	-	-	111,733
Trade receivables	-	42,790	-	-	-	42,790
Other receivables	3,691	1,190	-	-	-	4,881
Accrued income	-	35,069	-	-	-	35,069
Total financial assets	115,424	79,049	-	-	-	194,473
Financial liabilities						
Trade payables	-	36,171	-	-	-	36,171
Other payables	6,287	7,394	-	-	-	13,681
Total financial liabilities	6,287	43,565	-	-	-	49,852

2019	On demand £'000	Less than one month £'000	Equal to or more than 1 month but less than 1 year £'000	Equal to or more than 1 year but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
Financial assets						
Cash and cash equivalents	119,975	-	-	-	-	119,975
Trade receivables	-	38,874	-	-	-	38,874
Other receivables	589	1,694	-	-	-	2,283
Accrued income	-	33,433	-	-	-	33,433
Total financial assets	120,564	74,001	-	-	-	194,565
Financial liabilities						
Trade payables	-	34,913	-	-	-	34,913
Other payables	5,713	5,509	-	-	-	11,222
Total financial liabilities	5,713	40,422	-	-	-	46,135

27. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

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

Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

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

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

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

28. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The table below presents a summary of the Company's financial assets and liabilities that are measured at fair value in the statement of financial position according to their IFRS 9 classification.

2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets measured at fair value				
Cash and cash equivalents	75,000	-	-	75,000
Trade receivables	-	-	42,790	42,790
Other receivables	-	-	4,881	4,881
Accrued income	-	-	35,069	35,069
Total financial assets measured at fair value	**75,000**	**-**	**82,740**	**157,740**
Financial liabilities measured at fair value				
Trade payables	-	-	36,171	36,171
Other payables	-	-	13,681	13,681
Total financial liabilities measured at fair value	**-**	**-**	**49,852**	**49,852**

28. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets measured at fair value				
Cash and cash equivalents	90,000	-	-	90,000
Trade receivables	-	-	38,874	38,874
Other receivables	-	-	2,283	2,283
Accrued income	-	-	33,433	33,433
Total financial assets measured at fair value	**90,000**	**-**	**74,590**	**164,590**
Financial liabilities measured at fair value				
Trade payables	-	-	34,913	34,913
Other payables	-	-	11,222	11,222
Total financial liabilities measured at fair value	**-**	**-**	**46,135**	**46,135**

29. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

For all financial assets and financial liabilities, the carrying amount is considered to be a reasonable approximation of fair value due to the short-term nature of these financial assets and liabilities.

30. CAPITAL MANAGEMENT

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

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

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

The Company is regulated by the FCA and the JFSC and as such is subject to minimum capital requirements. The Company’s capital is monitored on an ongoing basis to ensure compliance with the rules within the FCA’s General Prudential Sourcebook and the JFSC’s Codes of Practice for Investment Business. At a minimum, in accordance with FCA requirements, the Company must ensure that Capital Resources (share capital, audited profit and loss and eligible reserves) are greater than the Capital Resource Requirement, which is the greater of fixed overhead requirement or the sum of credit and market risk. The JFSC requires that the Company ensures that minimum levels of share capital and net assets are retained at all times in addition to a surplus of Adjusted Net Liquid Assets over its Expenditure Requirement.

The Internal Capital Adequacy Assessment Process ("**ICAAP**") is used to assess the level of capital which should be retained within the Company.

The Company complied with all of its regulatory capital requirements during the year.

30. CAPITAL MANAGEMENT (continued)

The Company manages the following items as capital:

	2020 £'000	2019 £'000
Ordinary share capital	76,391	64,391
Reserves	66,289	77,402
	142,680	141,793

31. 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.

Description of share-based payment arrangements

The Company operates the following share-based payment schemes with awards over Quilter plc: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, and the Quilter plc Sharesave Plan.

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

	Description of award					Vesting conditions		
Scheme	Restricted shares	Conditional shares	Options	Other	Dividend entitlement[1]	Contractual life (years)	Typical service (years)	Performance (measure)
Quilter plc Performance Share Plan - Share Options (Nil cost options)	-	-	✓	-	✓	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan - Conditional Shares	-	✓	-	-	✓	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan - Conditional Shares	-	✓	-	-	✓	Typically 3	3	-
Quilter plc Share Incentive Plan - Restricted Shares	✓	-	-	-	✓	Not less than 3	2	-
Quilter plc Sharesave Plan[3]	-	-	✓	✓	-	$3^{1/2}$ - $5^{1/2}$	3 & 5	-
Old Mutual Wealth Phantom Share Reward Plan - Conditional Shares[4]	-	✓	-	-	✓	Typically 3	3	-

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

[2] Adjusted Profit compound anual growth rate ("**CAGR**").

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

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

31. SHARE BASED PAYMENTS (continued)

Reconciliation of movements in options

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

		Full year 2020		Full year 2019
Options over shares (London Stock Exchange)	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**3,107,133**	**£1.17**	293,103	£0.00
Granted during the year	**223,124**	**£0.00**	3,152,061	£1.17
Forfeited during the year	**(27,360)**	**£1.25**	(164,470)	£0.01
Exercised during the year	**-**	**-**	(130,073)	£0.00
Expired during the year	**(144)**	**£1.25**	-	-
Cancelled during the year	**(290,736)**	**£1.25**	(43,488)	£1.25
Outstanding at end of the year	**3,012,017**	**£1.08**	3,107,133	£1.17
Exercisable at end of the year	**-**	**-**	-	-

The weighted average fair value of options at the measurement date, for options granted during the year ended 31 December 2020 is £0.95, and for the year ended 31 December 2019 was £0.35.

The options outstanding at 31 December 2020 have exercise prices of £nil for the Quilter plc Performance Share Plan and £1.25 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 2.2 years. At 31 December 2019 the exercise price was £nil for the Quilter plc Performance Share Plan and £1.25 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 3.2 years.

Measurement 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 - Share Options (Nil cost options)	1.17	0.00	35.1%	3.00	0.1%	0.0%	4%
Quilter plc Performance Share Plan - Conditional Shares	1.17	0.00	35.1%	3.02	0.1%	0.0%	4%
Quilter plc Share Reward Plan - Conditional Shares	1.17	0.00	36.4%	2.00	0.1%	0.0%	4%

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

31. SHARE BASED PAYMENTS (continued)

Share grants

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

Instruments granted during the year	Number granted	**Full year 2020** Weighted average fair value	Number granted	Full year 2019 Weighted average fair value
Quilter plc Performance Share Plan – Conditional Shares	**1,426,526**	**£1.17**	1,191,431	£1.39
Quilter plc Share Reward Plan – Conditional Shares	**6,624,308**	**£1.17**	4,903,723	£1.39

Financial impact

The share based payment reserve of £16,136,000 (2019: £16,209,000) represents the cumulative expense of the Company for the unsettled portion of equity awarded schemes.

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

	2020 £'000	**2019 £'000**
Total expense arising from equity compensation plans	10,400	9,238

32. RETIREMENT BENEFITS

The Company operates four occupational pension schemes in the UK and the Channel Islands (the '**Plans**').

Defined contribution plans

The Company operates the Quilter Cheviot Limited 1997 Retirement Benefits Scheme (the "**Money purchase scheme**") in the UK and the Blue Riband Channel Islands Retirement Plan (the "**Jersey plan**") in Jersey, which require contributions to be made to funds held in trust, separate from the assets of the Company. These Plans are defined contribution plans. Certain individuals receive either a monthly pension supplement to their salaries, or contributions from the Company to personal pension plans (the "**Other schemes**").

Defined benefit plans

The Company also operates the Quilter Cheviot Limited Retirement Benefits Scheme (the "**UK Scheme**"), and the Quilter Cheviot Channel Islands Retirement Benefits Scheme, (the "**CI Scheme**"), which are both closed to new members and future benefit accrual, which provide pension benefits that are based on an actuarial valuation. The Company's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations.

32. RETIREMENT BENEFITS (continued)

In 2019, the Trustees of the Quilter Cheviot Limited Retirement Benefits scheme purchased a bulk annuity from Aviva to de-risk the defined benefit pension scheme obligation. This investment strategy intends to equally match the assets and liabilities of the scheme. This covers all remaining insured scheme benefits following previous bulk annuity transactions in 2013, 2014 and 2015. The Company agreed to inject a capital contribution of £7m to effect this transaction.

Retirement benefit plan expense

The amounts recognised in 'Staff costs', within 'Administration expenses', in the income statement in respect of these retirement benefit plans, of which £nil was accrued at 31 December 2020 (2019: £nil), are as follows:

	2020 £'000	2019 £'000
Defined contribution plans		
- Money purchase scheme	2,964	2,241
- Ireland plan	-	89
- Other schemes	613	1,123
Defined contribution plan expense	3,577	3,453
Defined benefit plans		
- UK Scheme	-	(84)
Defined benefit plan benefit	-	(84)

(i) UK Scheme

Defined benefit plan expense

The amounts recognised in 'Staff costs', within Administration expenses', in the income statement in respect of the defined benefit plan are as follows:

	2020 £'000	2019 £'000
Net interest on the net defined benefit liability	-	(84)
Defined benefit plan expense	-	(84)

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 *'Employee benefits'* paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £29,683,000 (2019: £29,683,000).

32. RETIREMENT BENEFITS (continued)

Retirement benefit asset

The following table provides a reconciliation of the present value of the defined benefit obligation and fair value of plan assets included in the statement of financial position, as well as a summary of the funded status of the plan:

	2020 £'000	2019 £'000
Present value of funded defined benefit obligation	(39,044)	(36,014)
Fair value of plan assets	39,044	36,014
	-	-
Effect of limit to defined benefit pension plan asset	-	-
Retirement benefit obligation recognised in the statement of financial position	-	-

The Company has considered the requirements of IFRS IC 14, including whether the Company has an 'unconditional right' to a refund of any surplus that may exist at the conclusion of the UK Scheme. This includes a scenario where the UK Scheme liabilities are gradually settled over time until all members have left the scheme (i.e. on the death of the last beneficiary), along with all other potential outcomes for the UK Scheme. The Company has concluded that it does not have an unconditional right to a refund of any surplus that may exist under these circumstances, and in accordance with IFRS IC 14 have not recognised the current surplus as an asset within the statement of financial position. In addition, the Company has concluded that there are no minimum funding requirements of the scheme and, as such, no liability has been recognised.

Changes in the asset ceiling

	2020 £'000	2019 £'000
Opening unrecognised asset due to asset ceiling	-	11,767
Interest income	-	341
Changes in asset ceiling (excluding interest income)	-	(12,108)
Closing unrecognised asset due to asset ceiling	-	-

Contributions for the year to the defined benefit plan totalled £nil (2019: £5,727,000), of which £1,161,000 was accrued at 31 December 2020 (2019: £1,161,000). The Company expects to contribute £1,161,000 (2019: £1,161,000) in the next financial year, based upon the current funded status and the expected return assumptions for the next financial year.

32. RETIREMENT BENEFITS (continued)

Changes in the present value of the defined benefit obligation during the year were as follows:

	2020 £'000	2019 £'000
Defined benefit obligations at 1 January	(36,014)	(42,351)
Interest cost	(723)	(1,012)
Actuarial gains/(losses) from changes in demographic assumptions	10	(982)
Actuarial losses from changes in financial assumptions	(3,855)	(4,712)
Changes due to experience adjustments	-	(1,843)
Benefits paid	1,538	14,886
Defined benefit obligations at 31 December	(39,044)	(36,014)

Changes in the fair value of plan assets were as follows:

	2020 £'000	2019 £'000
Fair value of plan assets at 1 January	36,014	54,118
Return on scheme assets less interest income	3,845	(10,382)
Employer contributions	-	5,727
Benefits paid	(1,538)	(14,886)
Interest income	723	1,437
Fair value of plan assets at 31 December	39,044	36,014

	2020 £'000	2019 £'000
Actual return on plan assets	3,845	(10,382)

32. RETIREMENT BENEFITS (continued)

The major categories of the total plan assets are as follows:

	2020 %	2019 %	2020 £'000	2019 £'000
Fixed income securities	100	99	38,881	35,633
Other	-	1	163	381
			39,044	36,014

The plan assets includes assets in relation to insured pensioners.

Equity instruments, debt instruments and investment fund assets have a quoted market price. All other assets, including the value of the bulk annuity policy, do not have a quoted market price. The bulk annuity policy, where assets are matched to the value of liabilities, is included at values provided by the insurer in accordance with relevant guidelines.

The Trustees of the UK Scheme are required to act in the best interest of the beneficiaries. The Trustees, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The Plan return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The following table presents the principal actuarial assumptions at the end of the financial year:

	2020 %	2019 %
Discount rate	1.4	2.1
Rate of increase in defined benefit funds	3.5	3.5
Inflation assumption	2.9	2.8

The weighted average duration of the defined benefit obligation is 20 years, based upon actual cashflows.

32. RETIREMENT BENEFITS (continued)

The mortality assumptions used give the following life expectations at 65:

	Mortality table	Life expectancy at age 65 for a male member currently:		Life expectancy at age 65 for a female member currently:	
		Aged 65	**Aged 45**	**Aged 65**	**Aged 45**
31 December 2020	S2PA Light	23.40	25.50	24.50	26.70
31 December 2019	S2PA Light	23.40	25.40	24.40	26.70

Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2020		31 December 2019	
	Increase £'000	**Decrease £'000**	**Increase £'000**	**Decrease £'000**
Discount rate (0.1% movement)	(651)	669	(613)	617
Inflation rate (0.1% movement)	328	(320)	302	(296)
Rate of mortality (increase by 1 year)	1,718	-	1,445	-

The five year history of experience adjustments is as follows:

	31 December 2020 £'000	31 December 2019 £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2016 £'000
Present value of defined benefit	(39,044)	(36,014)	(42,351)	(45,279)	(49,458)
Fair value of plan assets	39,044	36,014	54,118	58,286	58,698
Surplus	-	-	11,767	13,007	9,240
Experience adjustments on plan liabilities:					
Amount (£'000)	-	1,843	(734)	(443)	(490)
Percentage of plan liabilities (%)	-	5.1	1.7	1.0	1.0

(ii) CI Scheme

Defined benefit plan expense

There were no amounts recognised in 'Staff costs', within 'Administration expenses', in the income statement in respect of the defined benefit plan in the current or prior year.

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 *'Employee benefits'* paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £3,029,000 (2019: £3,029,000).

32. RETIREMENT BENEFITS (continued)

Retirement benefit obligation

The following table provides a reconciliation of the present value of the defined benefit obligation and fair value of plan assets included in the statement of financial position, as well as a summary of the funded status of the plan:

	2020 £'000	2019 £'000
Present value of funded defined benefit obligation	(2,231)	(2,276)
Fair value of plan assets	2,662	2,780
	431	504
Effect of limit to defined benefit pension plan asset	(431)	(504)
Retirement benefit obligation recognised in the statement of financial position	-	-

The Company has considered the requirements of IFRS IC 14, including whether the Company has an 'unconditional right' to a refund of any surplus that may exist at the conclusion of the CI Scheme. This includes a scenario where the CI Scheme liabilities are gradually settled over time until all members have left the scheme (i.e. on the death of the last beneficiary), along with all other potential outcomes for the CI Scheme. The Company has concluded that it does not have an unconditional right to a refund of any surplus that may exist under these circumstances, and in accordance with IFRS IC 14 have not recognised the current surplus as an asset within the statement of financial position. In addition, the Company has concluded that there are no minimum funding requirements of the scheme and, as such, no liability has been recognised.

Changes in the asset ceiling

	2020 £'000	2019 £'000
Opening unrecognised asset due to asset ceiling	504	469
Interest income	10	14
Changes in asset ceiling (excluding interest income)	(83)	21
Closing unrecognised asset due to asset ceiling	431	504

Contributions for the year to the defined benefit plan totalled £nil (2019: £nil), of which £nil was accrued at 31 December 2020 (2019: £nil). The Company expects to contribute £nil (2019: £nil) in the next financial year, based upon the current funded status and the expected return assumptions for the next financial year.

Changes in the present value of the defined benefit obligation during the year were as follows:

	2020 £'000	2019 £'000
Defined benefit obligations at 1 January	(2,276)	(2,102)
Interest cost	(41)	(59)
Actuarial gains from changes in demographic assumptions	(6)	8
Actuarial (losses)/gains from changes in financial assumptions	(204)	(368)
Changes due to experience adjustments	50	85
Benefits paid	246	160
Defined benefit obligations at 31 December	(2,231)	(2,276)

32. RETIREMENT BENEFITS (continued)

Changes in the fair value of plan assets were as follows:

	2020 £'000	2019 £'000
Fair value of plan assets at 1 January	2,780	2,571
Return on scheme assets less interest income	77	296
Benefits paid	(246)	(160)
Interest income	51	73
Fair value of plan assets at 31 December	2,662	2,780

	2020 £'000	2019 £'000
Actual return on plan assets	77	296

The major categories of the total plan assets are as follows:

	2020 %	2019 %	2020 £'000	2019 £'000
Equity securities	95	58	2,529	1,612
Fixed income securities	4	35	106	973
Other	1	7	27	195
			2,662	2,780

Equity instruments, debt instruments and investment fund assets have a quoted market price.

The Trustees of the CI Scheme are required to act in the best interest of the beneficiaries. The Trustees, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The Plan return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The following table presents the principal actuarial assumptions at the end of the financial year:

	2020 %	2019 %
Discount rate	1.4	1.9
Rate of increase in defined benefit funds	2.9	3.0
Inflation assumption	3.0	3.1

The weighted average duration of the defined benefit obligation is 20 years, based upon actual cashflows.

QUILTER CHEVIOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

32. RETIREMENT BENEFITS (continued)

The mortality assumptions used give the following life expectations at 63:

	Mortality table	Life expectancy at age 63 for a male member currently:		Life expectancy at age 63 for a female member currently:	
		Aged 63	Aged 50	Aged 63	Aged 50
31 December 2020	S1 Light	25.20	26.20	26.80	27.90
31 December 2019	S1 Light	25.10	26.10	26.60	27.70

Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2020		31 December 2019	
	Increase £'000	Decrease £'000	Increase £'000	Decrease £'000
Discount rate (0.1% movement)	(43)	50	(45)	52
Inflation rate (0.1% movement)	12	(9)	12	(12)
Rate of mortality (increase by 1 year)	123	-	116	-

The five-year history of experience adjustments is as follows:

	31 December 2020 £'000	31 December 2019 £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2016 £'000
Present value of defined benefit	(2,231)	(2,276)	(2,102)	(2,238)	(2,871)
Fair value of plan assets	2,662	2,780	2,571	2,714	2,869
Surplus / (deficit)	431	504	469	476	(2)
Experience adjustments on plan liabilities:					
Amount (£'000)	50	85	(14)	109	46
Percentage of plan liabilities (%)	2.2	3.7	(0.7)	4.9	1.6

33. RELATED PARTY DISCLOSURES

Parent and subsidiary relationships

Parent and ultimate controlling entity

The Company's immediate parent undertaking is Quilter Cheviot Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Quilter plc. Quilter plc is registered in England and Wales and copies of its financial statements can be obtained from the Company Secretary, Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

Transactions with key management personnel, remuneration and other compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Compensation paid to key management personnel in respect of their services rendered to the Company is:

	2020 £'000	2019 £'000
Short-term employee benefits	708	1,167
Post-employment benefits	12	9
Share-based payments	454	502
	1,174	1,678

Key management personnel transactions

Key management personnel of the Company and members of their close family have undertaken transactions with the Company or an entity within the Quilter Group in the normal course of business.

The products within the Company and Quilter Group are available to all employees of the Company on preferential staff terms, the impact of which is immaterial to the Company's financial statements. During the year ended 31 December 2020, key management personnel and their close family members contributed £382,000 (2019: £1,827,000) to pensions and investments (in both internal and external fund).

Transactions with related parties

The Company enters into transactions with other group undertakings on an arm's length basis for the purposes of utilising financing and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below.

Funding
The Company receives funding from other group undertakings in the following form:

• *General funding*
General funding is undated, unsecured, floating rate lending. Funding may be received or provided for specific transaction related funding requirements, or for general operational purposes.

33. RELATED PARTY DISCLOSURES (continued)

Details of the outstanding balances on these funding arrangements are shown in the table below:

	2020 £'000	2019 £'000
Amounts due from:		
Subsidiaries	-	35
Other Group undertakings	3,691	554
	3,691	589
Amounts due to:		
Subsidiaries	235	183
Other Group undertakings	6,052	5,530
	6,287	5,713

There has been no interest expense charged in the current and prior year relating to the outstanding balances.

Management charges

The Company incurs management charges from other group undertakings for costs incurred and services provided. Management recharges incurred during the year are as follows:

	2020 £'000	2019 £'000
Amounts recharged from:		
Other Group undertakings	10,216	7,786

Amounts outstanding at the reporting date are included within the general funding balances disclosed above.

Transactions with Group undertakings

On 31 December 2020, the Company acquired shares to the value of £2,217,000 in QCE, a subsidiary company (2019: £26,945,000 in QCE and £25,000 in QCIL), (note 13).

On 31 December 2020, the Company transferred EEA-resident clients to QCE. On 1 August 2019, the Company transferred the clients, trade and assets from its Ireland branch to QCE.

	2020 £'000	2019 £'000
Transactions with parent company:		
Dividend payment	57,000	36,000
Share capital issued	12,000	-

34. EVENTS AFTER THE REPORTING DATE

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