ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2013

Old Mutual Wealth Management Limited

Registered in England No. 6404270

Old Mutual Wealth Management Limited

CONTENTS

COMPANY INFORMATION

Executive Directors	P A J Broadley J D Charles P W Feeney P B Hanratty M O Satchel
Non-executive directors	S H Davies C H Eppinger A K Gupta J C Hanson
Secretary	D L Clarke
Bankers	National Westminster Bank Plc 12 High Street Southampton SO14 2BF
Auditors	KPMG Audit Plc 15 Canada Square London E14 5GL
Registered office	Skandia House Portland Terrace Southampton SO14 7EJ Telephone: 023 8033 4411 Website: www.skandia.co.uk Registered in England No. 6404270

Old Mutual Wealth Management Limited

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2013.

REVIEW OF THE BUSINESS
The company is an investment holding company. The principal activities of the company's subsidiaries during the year related to the transaction of life assurance, pensions and investment products in the UK and offshore and this will continue for the foreseeable future. Its main subsidiaries are disclosed in note 10.

During the year the company acquired Old Mutual Global Investors Holdings Limited, from its subsidiary Skandia Life Assurance (Holdings) Limited. Details can be found in note 10.

The company is part of Old Mutual plc, a FTSE 100 group. The company forms part of the Old Mutual Wealth division of Old Mutual plc, for which it acts as holding company and delivers strategic and governance oversight.

The strategy for the Old Mutual Wealth division is to build a modern, vertically integrated, wealth management business with strong asset management at the core. As part of Old Mutual Wealth, our strategic mission is to enable positive futures by offering the best investment and protection products, available on the most flexible platform, with unbeaten support for advisers and customers at great value. The strategic priorities of the business are to build the investment and protection propositions and outsource its IT and administration in order to upgrade our infrastructure and reconfigure our cost base.

As of 1 January 2013 the Financial Services Authority's Retail Distribution Review (RDR) came into effect. In the fourth quarter of 2012 Old Mutual Wealth launched a flexible adviser charging structure to comply with the requirements of RDR. In conjunction with these changes, a new unbundled pricing structure was launched which was competitive, transparent, easy for customers to understand and compliant with RDR and all regulation under consultation at the time.

2013 has seen development efforts to significantly enhance the investment services offered to customers. This has been achieved by leveraging expertise across the group, in particular the UK investment company Old Mutual Global Investors. This development has been named Wealth Select and is a focused range of high quality investment funds from leading asset management brands, offered alongside a Managed Portfolio Service (MPS). The company offered clients the ability, via the platform, to invest in these investment funds from Q1 2014.

During the year Old Mutual Wealth has continued to invest in its infrastructure, particularly in respect of its IT environment, to support initiatives such as Wealth Select and enhance internet capability for both customers and advisers, which it believes is a prerequisite for long term success in its chosen segment of the market. The company has announced, in partnership with International Financial Data Services Limited (IFDS), a major global IT and outsourced administration services provider, a programme to outsource its IT infrastructure, servicing and platform to better meet the needs of its customers over the longer term. This will enable the business to focus on the management and development of its suite of propositions designed to meet the needs of its customers. We anticipate that this programme will be completed in 2016. This transformation represents a substantial investment in time and cost for the UK businesses over the next three years, with £20m incurred in 2013. All costs associated with the transformation will be apportioned across subsidiaries Skandia MultiFUNDS Limited, Skandia MultiFUNDS Assurance Limited and Skandia Life Assurance Company Limited.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS (KPIs)
The table below shows the key performance indicators the company uses to manage the business performance. The internal measure of profit is IFRS adjusted operating profit (IFRS AOP).

The profit for the year, after taxation, amounted to £27,944,000 (2012: £184,718,000).

Table A : Key performance indicators.

	2013 £'000	2012 £'000
Investment return	181,929	188,718
IFRS adjusted operating profit before tax	411	2,021
IFRS adjusted operating profit after tax	315	2,438
IFRS profit after tax	27,944	184,718

Table B: Reconciliation between 'adjusted operating profit before tax' and IFRS profit after tax.

	2013 £'000	2012 £'000
Adjusted operating profit before tax	411	2,021
Interest on group funding	(1,614)	(3,720)
Dividends received	180,714	186,000
Impairment to investment in subsidiary undertaking	(151,846)	-
Taxation	279	417
Profit after tax for the financial year	27,944	184,718

FINANCIAL POSITION AT THE END OF THE YEAR
The company's total net assets have decreased from £1,934m to £1,883m, with cash and cash equivalents increasing to £1.8m.

During the year, the company has received dividends and repaid loans as part of a series of transactions across the group to repay group loans and therefore simplify the individual entities' balance sheets. These transactions were broadly cash neutral. The company received a loan repayment of £233,170,000 (see note 11) from its subsidiary Skandia Life Assurance (Holdings) Limited. It then used this cash, along with a £151,846,000 dividend (included within dividends in note 4) received from its subsidiary Skandia Life S.A to pay a dividend to its parent of £79,000,000 (see note 8) and reduce the loan to its parent by £308,000,000 (see note 13).

After receiving the dividend of £151,846,000 from Skandia Life S.A., the directors wrote down the value of its investment in that company by the same value; the two items offset in the income statement.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES
The company has adopted the enterprise risk management framework of the Old Mutual Wealth Management Limited sub-group. This provides the framework for the monitoring, management and governance of risk, as detailed in note 3.

The table below describes the key risks and uncertainties

Key Risk	Impact Assessment	Management and mitigation
Strategic risk: Risk that the customer proposition is not compelling, sustainable and profitable.	Reduction in shareholder value and strategic advantage. The risk is reducing in light of our planned proposition enhancements.	- Wealth Select launched in Q1 2014, delivering key propositional enhancements. - Close monitoring of competitor offerings and our position within the market.
Operational risk: IT transformational and change delivery.	Lack of strategic transformation will impact the customer offering in the long-term. The risk is increasing as the company executes the IFDS transactions.	- Close monitoring and governance of the strategic IT transformation plan and change delivery programme. - Continued development of our infrastructure resilience.
Regulatory risk: Changes to the regulatory environment.	Significant regulatory development, potential sanction, fines, reputational damage. The risk is stable.	- We have a constructive and open relationship with both the PRA and FCA. - We seek early validation of our interpretation of new regulations to ensure solutions are compliant.

By order of the board

D L Clarke
Secretary
23 July 2014

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2013.

The review of the business and principal risks and uncertainties are disclosed within the strategic report.

DIRECTORS

The directors of the company during the year were as follows:

Executive Directors	
M H Baxter	(resigned 14 April 2014)
P A J Broadley	
J D Charles	(appointed 15 February 2013)
P W Feeney	
P B Hanratty	
M O Satchel	
Non-executive directors	
S H Davies	(appointed 20 August 2013)
C H Eppinger	(appointed 16 October 2013)
A K Gupta	(appointed 1 August 2013)
J C Hanson	(appointed 24 July 2013)

Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

D J L Eardley resigned as company secretary on 8 January 2014 and D L Clarke was appointed as company secretary on 8 January 2014.

DIVIDENDS

During the year dividends of £79,000,000 (2012: £186,000,000) were paid.

EMPLOYEES

The company has no employees (2012: nil). Management services are provided by a subsidiary undertaking as disclosed in note 17.

FINANCIAL INSTRUMENTS

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

POLITICAL CONTRIBUTIONS

During the year, the company made no political contributions (2012: £nil).

EVENTS AFTER THE REPORTING DATE

On 2 April 2014, the company injected a further £21,727,000 into its subsidiary Old Mutual Global Investors Holdings Limited.

On 1 July 2014, Skandia Life Assurance (Holdings) Limited, a subsidiary undertaking, acquired Intrinsic Financial Services Limited.

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITORS
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are each aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
KPMG Audit Plc have instigated an orderly wind down of business. The board has decided to put KPMG LLP forward to be appointed as auditors and a resolution concerning their appointment will be put to the company in due course in 2014.

By order of the board

D L Clarke
Secretary
23 July 2014

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

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF OLD MUTUAL WEALTH MANAGEMENT LIMITED

We have audited the financial statements of Old Mutual Wealth Management Limited for the year ended 31 December 2013 set out on pages 9 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Karen

Karen Orr (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
23 July 2014

INCOME STATEMENT
for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
REVENUE			
Investment return	4	181,929	188,718
TOTAL REVENUE		181,929	188,718
EXPENSES			
Administrative expenses	5	(544)	(381)
Finance costs	6	(1,874)	(4,036)
Impairment to investment in subsidiary undertaking	10	(151,846)	-
TOTAL EXPENSES		(154,264)	(4,417)
PROFIT BEFORE TAX		27,665	184,301
Taxation	9	279	417
PROFIT FOR THE YEAR		27,944	184,718
Attributable to equity holders		27,944	184,718

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

The notes on pages 14 to 25 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	2013 £'000	2012 £'000
PROFIT FOR THE YEAR	27,944	184,718
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
All attributable to equity holders	27,944	184,718

The notes on pages 14 to 25 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Notes	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total equity holders' funds £'000
Balance at 1 January 2012		130,000	1,662,267	142,870	1,935,137
Profit for the year		-	-	184,718	184,718
Dividends paid		-	-	(186,000)	(186,000)
Balance at 1 January 2013		130,000	1,662,267	141,588	1,933,855
Profit for the year		-	-	27,944	27,944
Dividends paid	8	-	-	(79,000)	(79,000)
Balance at 31 December 2013		130,000	1,662,267	90,532	1,882,799

The notes on pages 14 to 25 are an integral part of these financial statements.

Old Mutual Wealth Management Limited

STATEMENT OF FINANCIAL POSITION
at 31 December 2013

	Notes	2013 £'000	2012 £'000
ASSETS			
Investment in subsidiary undertakings	10	1,943,360	2,070,338
Loans and advances	11	10,745	254,170
Cash and cash equivalents		1,803	1,316
Total assets		1,955,908	2,325,824
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	130,000	130,000
Merger reserve		1,662,267	1,662,267
Retained earnings		90,532	141,588
Total equity attributable to equity holders		1,882,799	1,933,855
LIABILITIES			
Interest bearing liabilities	13	71,938	390,508
Current tax liabilities		1,118	1,397
Other payables	14	53	64
Total liabilities		73,109	391,969
Total equity and liabilities		1,955,908	2,325,824

The notes on pages 14 to 25 are an integral part of these financial statements.

Approved by the board of directors on 23 July 2014 and signed on its behalf by:

M O Satchel
Director

P B Hanratty
Director

Company registered number: 6404270

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	2013	2012
	£'000	£'000
OPERATING ACTIVITIES		
Net cash paid to service providers and suppliers	(491)	(381)
Tax and group relief received	-	90
Stamp duty paid	(53)	-
Net cash used in operating activities	(544)	(291)
INVESTING ACTIVITIES		
Dividends received	180,714	186,000
Net cash paid for short-term funding arrangements	(11)	(173)
Interest received on loans to group and subsidiary undertakings	1,215	2,718
Acquisition of subsidiaries	(24,868)	-
Change in loan to immediate parent undertaking	10,255	7,008
Change in loan to subsidiary undertakings	233,170	1,662
Net cash from investing activities	400,475	197,215
FINANCING ACTIVITIES		
Interest paid	(1,874)	(4,036)
Decrease in loans from subsidiary undertakings	(10,255)	(7,008)
Dividends paid	(79,000)	(186,000)
Change in loans from immediate parent undertaking	(308,315)	(2,751)
Net cash used in financing activities	(399,444)	(199,795)
Net increase/(decrease) in cash and cash equivalents	487	(2,871)
Cash and cash equivalents at beginning of the year	1,316	4,187
Cash and cash equivalents at end of the year	1,803	1,316

The notes on pages 14 to 25 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

1 GENERAL INFORMATION

Old Mutual Wealth Management Limited ('the company') is a limited company incorporated in England & Wales. The address of its registered office is disclosed in the company information section on page 1. The principal activities of the company are disclosed in the strategic report.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial statements have been prepared on the historical cost basis except for common control transactions, and have been prepared in sterling and are rounded into thousands. These are separate financial statements as the company has elected under IFRS 10 paragraph 4 not to prepare consolidated financial statements.

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

Standards, amendments to standards, and interpretations adopted in these annual financial statements
The following standards, and amendments to standards, which are relevant to the company, have been adopted in these financial statements:

- Amendments to IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2013) require that an entity disclose additional information for financial instruments that are subject to master netting or other similar agreements.
- IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013) and IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2013). These standards relate to how the company will account for its interests in subsidiaries, joint ventures and associates, together with new disclosures regarding these investments.
- IFRS 13 'Fair Value Measurement' (effective 1 January 2013) is a new standard clarifying the principles on the determination of fair value. The standard has defined fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard does not require the recognition of any assets or liabilities at fair value other than those prescribed by the standard.

The following standards, and amendments to standards, have been adopted in these financial statements, but are either not relevant or not applicable for the company in the current or prior period:

- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective 1 January 2013).
- Amendments to IAS 19 'Defined Benefit Plans' (effective 1 January 2013).
- IFRS 11 'Joint Arrangements' (effective 1 January 2013).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the date of authorisation of these financial statements the following standard, which is relevant to the company, has been issued by the International Accounting Standards Board.

– IFRS 9 'Financial Instruments' (effective 1 January 2015)

The IASB has issued components of IFRS 9 Financial Instruments, which is the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The project has three main phases:

- Phase I: Classification and measurement of financial instruments;
- Phase II: Amortised cost and impairment of financial assets; and
- Phase III: Hedge accounting.

IFRS 9, as currently issued, includes requirements for the classification and measurement of financial assets and liabilities, derecognition requirements and additional disclosure requirements. The main changes from IAS 39 include the following:

- Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset, either at fair value or amortised cost.
- A financial asset or liability that would otherwise be at amortised cost may only be designated as at fair value through profit or loss if such a designation reduces an accounting mismatch
- For financial liabilities designated as at fair value through profit or loss a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to 'Other Comprehensive Income' with no recycling through profit or loss on disposal.

The current effective date for IFRS 9 is not yet announced. However, the IASB adopted a phased approach for the release of IFRS 9, with complex rules for the early adoption of portions of the standard.

The following amendments to the IASB standards which are effective for the company on 1 January 2014 are unlikely to have a material impact on the company financial statements:

– Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).
– Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).
– Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39).
– Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36).

Critical accounting estimates and judgements
Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the company's business that typically require such estimates are the determination of the value of investments in subsidiaries, impairment charges and deferred taxes. Each of these are discussed in more detail in the relevant accounting policies and notes to the financial statements.

Investments in subsidiaries
Investments in subsidiary undertakings are initially stated at cost. In relation to transactions to acquire entities under the control of the same ultimate parent of this entity (Old Mutual plc), cost is deemed to be either the book cost of the selling entity or purchase consideration determined by Old Mutual group management if greater.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and advances
Loans and advances are non-derivative financial instruments with fixed or determinable terms of repayment that are not quoted in an active market.

Loans to group companies are initially recorded at cost including transaction costs and are recognised on the date the funds are transferred. Subsequently, loans are stated at amortised cost using the effective interest rate method less any deduction for possible impairment. Each loan is valued on an individual basis.

A provision for loan impairment is established if there is objective evidence that the company will not be able to collect all amounts due from a financial contract. The amount of the impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral.

The impairment provision also covers losses where there is objective evidence that losses are present in components of the loan portfolio at the year-end, but these components have not yet been specifically identified. When a loan is uncollectable, it is written-off against the related impairment provision. Subsequent recoveries are credited to losses on loans and advances in the income statement.

Where an impairment has been recognised this is reflected in the relevant notes to the accounts.

Other payables
Other payables are short-term, not interest-bearing and are stated at their amortised cost which is not materially different to cost and approximates to fair value.

Interest bearing liabilities
Interest bearing liabilities are recognised initially at the proceeds received, net of transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

3 FINANCIAL INSTRUMENTS RISK

Risk management framework
The company has adopted the enterprise risk management framework of the Old Mutual Wealth Management Limited sub-group.

The enterprise risk management framework for the company is articulated by reference to four key areas:
- Culture, leadership and setting the right tone;
- Risk identification and the management cycle;
- Defining risk strategy and appetite; and
- The demonstration of our effective risk management by outcomes evidenced through reports and analysis.

Culture, leadership and tone comprises the following components:
- Appropriate board and committee structures with defined terms of reference;
- Defined delegated authority limits and decision matrices;
- Strategic and operational plans; and
- The suite of policies which set out the limits of exposure in respect of each risk area.

The risk identification and management cycle is the process by which the company identifies and evaluates risk, plans and implements strategic initiatives, controls exposures and monitors outcomes.

Risk strategy and appetite are described below.

Demonstration of the effectiveness of risk management is evidenced through:
- Analysis of progress against plans using key performance indicators and key risk indicators;
- Monitoring of compliance against policies including breach and incident reporting; and
- Regular reports on risks and issues.

3 FINANCIAL INSTRUMENTS RISK (continued)

Risk strategy and appetite
Risk strategy is set by the Old Mutual group and the group risk strategy is used to define the risk strategy for the Old Mutual Wealth Management sub-group. This risk strategy has been adopted by the company.

The aims of the risk strategy are:
- To clearly articulate the risks which the business should actively seek (where there are opportunities to improve the balance of risk and return by taking on more risk) and the risks which the group should avoid (where risks threaten the balance of risk and return);
- To identify opportunities to diversify the risk profile, and hence reduce risk concentrations;
- To drive / influence the business strategy;
- To support the embedding of the risk appetite and limits framework, including the setting of limits and the identification of actions to manage risk exposures where limit breaches occur;
- To support understanding of the implications of different business decisions on risk exposures and value creation; and
- To support the reporting of operational losses, and actions to reduce operational losses.

The material risks faced by the company are described below.

Credit risk
Credit risk is the risk that the company is exposed to a loss if another party fails to meet its financial obligations to that business unit, including failing to meet them in a timely manner.

The Old Mutual Wealth Management sub-group has established a credit risk policy which sets out restrictions on the permitted financial transactions with counterparties to control and monitor the level of credit risk to which the company is exposed.

The company is exposed to some credit risk. The company's principal assets are investments in subsidiary undertakings, loans and cash.

All loans are with fellow group companies. The risk of default on amounts due from companies within the group are controlled by the monthly monitoring of debt balances.

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

Market risk
Market risk is defined as the risk that a change in the value of or income from any asset is not matched by an equal change in the value of the related liability. Market risk arises from fluctuations in variables such as equity prices, property prices, interest rates and foreign exchange rates, where assets and liabilities are not precisely matched. The company is subject to material market risk in the following area:

Interest rate risk
The company is exposed to limited interest rate risk except in respect of a loan from a subsidiary undertaking and a loan from the immediate parent company.

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

The company is exposed to some liquidity risk as the loans from its parent company and subsidiary are both repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

3 FINANCIAL INSTRUMENTS RISK (continued)

Sensitivity tests
Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at the reporting date.

Interest rate sensitivity
The impact of an increase and decrease in market interest rate of 1% (e.g. if the current interest rate is 5% the test allows for the effects of an immediate change to 4% and 6%) is assessed.

A decrease in interest rate of 1% would have increased profit and shareholders equity by £331,000 (2012: increase £1,002,000) after tax; an equal change in the opposite direction would have decreased profit by £538,000 (2012: decrease £1,002,000) after tax.

4 INVESTMENT RETURN

	2013 £'000	2012 £'000
Interest receivable from immediate parent undertaking	122	296
Interest receivable from subsidiary undertaking	1,093	2,422
Dividends from subsidiary undertakings	180,714	186,000
	181,929	188,718

As described in the strategic report, during the year the company has received dividends and repaid loans as part of a series of transactions across the group to repay group loans and therefore simplify the individual entities' balance sheets. These transactions were broadly cash neutral. The company received a loan repayment of £233,170,000 (see note 11) from its subsidiary Skandia Life Assurance (Holdings) Limited. It then used this cash, along with a £151,846,000 dividend (included within dividends above) received from its subsidiary Skandia Life S.A to pay a dividend to its parent of £79,000,000 (see note 8) and reduce the loan to its parent by £308,000,000 (see note 13).

5 ADMINISTRATIVE EXPENSES

	2013 £'000	2012 £'000
Administrative expenses	544	381
Administrative expenses include:		
Management fees paid to subsidiary undertaking (see note 17)	491	381
Of which:		
Auditor's remuneration: audit services paid to KPMG Audit Plc	6	6

Auditor's remuneration for audit services consists of fees in respect of statutory audits and group reporting.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

6 FINANCE COSTS

	2013 £'000	2012 £'000
Financing costs for liabilities held at amortised cost		
Interest payable to immediate parent undertaking	1,614	3,720
Interest payable to subsidiary undertaking	260	316
	1,874	4,036

Loans are charged at between LIBOR + 10bps and LIBOR + 50bps and are repayable on demand.

7 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2013 £'000	2012 £'000
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	3,191	700
Company pension contribution to money purchase schemes	43	55

2 directors had money paid to a money purchase scheme during the year (2012: 4).

3 directors received or were due to receive shares or share options in Old Mutual plc under a long term incentive scheme (2012: 1). 1 director (2012: 1) exercised options during the year.

	2013 £'000	2012 £'000
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	1,828	477
Company pension contribution to money purchase schemes	-	41

The highest paid director exercised share options during the current and the prior years.

The directors' emoluments disclosed above are in respect of the three directors of the company in office during the year who are directly employed by Skandia Life Business Services Limited, a subsidiary undertaking (2012: two directors). The above disclosure includes the remuneration of those directors in relation to their services to this company and its subsidiaries. The remuneration for each director is apportioned on the basis of time spent across the company and its subsidiaries but restricted to the period in which they were a director of this company (and also reflecting the changing group structure across the reporting period).

No emoluments for P A J Broadley are disclosed in the above figures as his services on behalf of the company are considered incidental. Full disclosure of the remuneration for P A J Broadley is included in the Old Mutual plc group annual financial statements.

No emoluments for M H Baxter and P B Hanratty are disclosed in the above figures as they consider that their services to the company are incidental to their other duties within Old Mutual Group. These directors are employed by, and receive their emoluments from, Old Mutual Business Services Limited, a fellow group undertaking.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

8 DIVIDENDS

	2013 £'000	2012 £'000
Dividends paid		
Aggregate dividends	79,000	186,000
Dividends per share	60.77p	143.08p

Details can be found in note 4.

9 TAXATION

	2013 £'000	2012 £'000
Current year corporation tax credit	(279)	(416)
Prior year corporation tax credit	-	(1)
Tax on profit for the year	(279)	(417)

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

	2013	2012
Pre-tax profit	27,665	184,301
Tax on profit at the applicable tax rate, 23.25% (2012: 24.5%)	6,433	45,154
Effect of:		
Prior year corporation tax credit	-	(1)
UK dividends receivable	(42,016)	(45,570)
Impairment of subsidiary not tax deductible	35,304	-
	(279)	(417)

From 1 April 2013 the main rate of UK corporation tax reduced to 23% and further reductions to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015 have also been enacted during 2013.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

10 INVESTMENTS IN SUBSIDIARIES

	2013 £'000	2012 £'000
Investment in subsidiary undertakings	1,943,360	2,070,338

Investments in subsidiaries are stated at cost, less impairment in value. All shares held are ordinary shares.

Movement analysis

	Investments in subsidiaries £'000
At 1 January 2012	2,070,338
At 31 December 2012	2,070,338
Acquisition of subsidiaries	24,868
Impairment provision	(151,846)
At 31 December 2013	1,943,360

The principal subsidiary undertakings at the year end, all wholly owned and registered in England & Wales except as noted, are:

Company	Areas of business
Skandia Life Assurance Company Limited	Life, pension and investment product provider
Royal Skandia Life Assurance Limited (incorporated in the Isle of Man)	Life, pension and investment product provider
Skandia Life Ireland Limited (incorporated in the Republic of Ireland)	Life, pension and investment product provider
Skandia MultiFUNDS Assurance Limited	Life, pension and investment product provider
Skandia Life S.A (incorporated in Luxembourg)	Life, pension and investment product provider
Skandia Life Business Services Limited	Group management and administrative services
Skandia MultiFUNDS Limited	Investment product provider
Skandia Life Assurance (Holdings) Limited	Intermediate holding company
Skandia Life Holding Company Limited	Intermediate holding company
Old Mutual Global Investors Holdings Limited	Intermediate holding company
Skandia International Holdings (IOM) Limited (incorporated in the Isle of Man)	Intermediate holding company
Skandia Continental Europe Holdings S.A. (incorporated in Luxembourg)	Intermediate holding company
Old Mutual Fund Managers Limited	Investment management company
Old Mutual Investment Management Limited	Investment management company
Old Mutual Global Investors (UK) Limited	Investment management company

10 INVESTMENTS IN SUBSIDIARIES (continued)

During the prior year Skandia Link S.A. de Seguros y Reaseguros (incorporated in Spain) merged its business into Skandia Life S.A.

On 25 February 2013 Skandia Investment Management Limited changed its name to Old Mutual Investment Management Limited. On 11 March 2013 Skandia Investment Group Holdings Limited and its wholly owned subsidiaries including Old Mutual Investment Management Limited and Skandia Fund Management (Ireland) Limited were sold by Skandia Life Assurance (Holdings) Limited to its parent Old Mutual Wealth Management Limited for £24,868,000. On 20 May 2013 Skandia Investment Group Holdings Limited changed its name to Old Mutual Global Investors Holdings Limited. On 30 August 2013 Skandia Fund Management (Ireland) Limited was liquidated.

Impairment testing
Determining whether an investment in a subsidiary is impaired requires an estimation of the recoverable amount, and this has been calculated with reference to the value-in-use of the cash-generating units of the subsidiary. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from cash-generating units and a suitable discount rate in order to calculate present value.

Key assumptions applied to the value-in-use calculation

Long-term business
The shareholders' recoverable amount within the long-term business fund is determined using Market Consistent Embedded Value ('MCEV') methodology plus a value-in-use calculation for the value of new business (VNB). VNB represents the value of future profits from expected new business. MCEV represents the shareholders' interest in the long-term business and is calculated in accordance with established industry practice.

The cash flows included in the value-in-use calculations are actuarially determined with reference to the MCEV methodology and utilises the inputs from the latest business plans approved by management. Projections beyond the three-year business plan period have been extrapolated using a conservative inflation based growth assumption. The cash flows are discounted using an economic profit rate which is consistent with the approach adopted by the ultimate parent company. The key assumptions that affect the value-in-use calculations are detailed below.

Asset management business
As for the long-term business, the cash flows are based on the latest three-year business plans approved by management; extrapolations beyond that period use conservative inflation-based growth rates. The cash flows are discounted using an economic profit rate which is consistent with the approach adopted by the ultimate parent company. The key assumptions that affect the value-in-use calculations are detailed below.

Assumptions

	2013	2012
Period on which management approved forecasts are based	5 - 20 years	5 - 20 years
Growth rate applied beyond approved business plan period	2.5% to 3.0%	2.6% to 3.6%
Discount rate applied to long-term business	9.6%	9.4%
Discount rate applied to asset management business	9.6%	9.4%

Results of the impairment tests performed
Based upon the results of the comparison of value-in-use with the carrying value, management believe that no impairment is required at the year end. In addition, management believe that any reasonable change in assumptions would not cause the recoverable amounts to fall below the carrying amounts. Accordingly, no impairment charge has been recognised at the year end.

Other subsidiaries
During the year, following a rationalisation of group loans, an impairment test was carried out on the remaining subsidiaries, the result of which indicated that an impairment in the investment in Skandia Life S.A. was required. The value of the company's investment fell after Skandia Life S.A. made a capital reduction and distributed the value by paying a dividend. The investment was initially held at a carrying value of £266,338,000 and this reduced to £114,492,000 resulting in a charge of £151,846,000 to the income statement equal to the value of the dividend received.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

11 LOANS AND ADVANCES

	2013 £'000	2012 £'000
Lending to immediate parent undertaking (see note 17)	10,745	21,000
Lending to subsidiary undertaking (see note 17)	-	233,170
	10,745	254,170

The carrying amount of loans approximates to their fair value which is measured as the principal amounts receivable under the loan agreements.

All loans are repayable on demand. The loan to parent undertaking is interest free. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances recognised in the financial year.

During the year the company received full settlement of its loan to Skandia Life Assurance (Holdings) Limited, a subsidiary undertaking. Details can be found in note 4.

12 SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
130,000,100 (2012: 130,000,100) ordinary shares of £ 1 each	130,000	130,000

The company has elected under the Companies Act 2006 to remove authorised share capital limits.

13 INTEREST BEARING LIABILITIES

	2013 £'000	2012 £'000
Loan from immediate parent undertaking (see note 17)	61,193	369,508
Loan from subsidiary undertaking (see note 17)	10,745	21,000
	71,938	390,508

During the year the company was able to repay part of the loan to its parent. Further details can be found in note 4.

14 OTHER PAYABLES

	2013 £'000	2012 £'000
At amortised cost		
Due to subsidiary undertaking (see note 17)	53	64

All amounts are current and short term. Amounts due to subsidiary undertaking are unsecured and are settled quarterly.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

15 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments at 31 December 2013 (2012: £nil).

16 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2013 (2012: £nil).

17 RELATED PARTY TRANSACTIONS

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

	2013 £'000	2012 £'000
Management fees paid to subsidiary undertaking (see note 5)	491	381

Management services and fixed assets in the current and prior period in the UK are provided by Skandia Life Business Services Limited, a subsidiary undertaking. Skandia Life Business Services Limited charges a management fee for costs incurred and services provided. This management fee is charged at cost plus a mark up.

Amounts due to subsidiary undertaking at the reporting date are included in note 14.

Details of intragroup loans are given in notes 11 and 13 and the interest thereon in notes 4 and 6.

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

18 EVENTS AFTER THE REPORTING DATE

On 2 April 2014, the company injected a further £21,727,000 into its subsidiary Old Mutual Global Investors Holdings Limited.
On 1 July 2014, Skandia Life Assurance (Holdings) Limited, a subsidiary undertaking, acquired Intrinsic Financial Services Limited.

19 ULTIMATE PARENT COMPANY

The company's financial statements are consolidated within the financial statements of Old Mutual plc, the immediate and ultimate parent company and controlling party, registered in England & Wales. The financial statements are available from:

The Company Secretary
Old Mutual plc
5th Floor
Millennium Bridge House
2 Lambeth Hill
London
EC4V 4GG