ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2016

Old Mutual Wealth Management Limited

Registered in England No. 6404270

Old Mutual Wealth Management Limited

CONTENTS

COMPANY INFORMATION

Executive Directors	P W Feeney (Chief Executive) M O Satchel T J W Tookey
Non-executive directors	G P Jones (Chairman) C H Eppinger R Harris J B Hemphill I G Johnson M Kilcoyne J M Little G M Reid C L Turner
Secretary	P A Gonsalves
Bankers	National Westminster Bank Plc 12 High Street Southampton SO14 2NX
Auditors	KPMG LLP 15 Canada Square London E14 5GL
Registered office	Old Mutual House Portland Terrace Southampton SO14 7EJ Telephone: 0808 171 2626 Website: www.oldmutualwealth.co.uk Registered in England No. 6404270

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF THE BUSINESS

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 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, investment products, asset management and financial advice in the UK and offshore and this will continue for the foreseeable future. Its subsidiaries are disclosed in note 10.

On 11 March 2016, following a strategic review of the Old Mutual business, Old Mutual plc announced that the long-term interests of the group's shareholders and other stakeholders would be best served by Old Mutual conducting a 'managed separation' of its four businesses – Old Mutual Emerging Markets, Nedbank, Old Mutual Wealth and Old Mutual Asset Management.

Old Mutual plc's announced intention is for the managed separation programme to deliver Old Mutual Wealth into the hands of Old Mutual plc's shareholders by way of a demerger and listing on both the London and Johannesburg stock exchanges. This remains subject to change and stakeholder consent and/or readiness of the underlying business. Managed separation is a clear endorsement of Old Mutual Wealth's strategy and presents an exciting opportunity for the business.

KEY PERFORMANCE INDICATORS (KPIs)

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

The profit for the year, after taxation, amounted to £45,444,000 (2015: £16,027,000).

Table A : Key performance indicators.

	2016 £'000	2015 £'000
Investment return	60,224	46,983
IFRS adjusted operating (loss)/profit before tax	(3,814)	3,595
IFRS adjusted operating profit/(loss) after tax	64	(758)
IFRS profit after tax	45,444	16,027

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

	2016 £'000	2015 £'000
Adjusted operating (loss)/profit before tax	(3,814)	3,595
Interest on group funding	(6,007)	(4,147)
Dividends received	54,000	42,000
Loss on disposal of subsidiary	-	(26,233)
Taxation	1,265	812
Profit after tax for the financial year	45,444	16,027

FINANCIAL POSITION AT THE END OF THE YEAR

The company's total net assets have increased from £1,916m to £1,961m, with cash and cash equivalents increasing from £27m to £37m.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy through its subsidiaries is subject to a number of risks. The key risks affecting the business are competition from key and emerging industry players, retention of key staff, transition change and regulatory risk.

The company has adopted the Enterprise Risk Management framework of the Old Mutual Wealth (OMW) business unit. This provides the framework for the monitoring, management and governance of risk, as detailed in note 3.

By order of the board

P A Gonsalves
Secretary

1st August 2017

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2016.

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 and to date were as follows:

Executive Directors	
P W Feeney	
M O Satchel	
T J W Tookey	(appointed 10 February 2017 as a non-executive director and became an executive director 1 May 2017)
Non-executive directors	
S H Davies	(resigned 13 October 2016)
C H Eppinger	
J C Hanson	(resigned 2 November 2016)
R Harris	(appointed 3 April 2017)
J B Hemphill	
I G Johnson	
G P Jones	(appointed 7 November 2016)
M Kilcoyne	(appointed 31 December 2016)
Lord A P Leitch	(resigned 31 March 2017)
J M Little	(appointed 5 May 2017)
R M J Marshall	(appointed 10 November 2016, resigned 31 March 2017)
A D Pomfret	(resigned 1 December 2016)
G M Reid	(appointed 8 February 2017)
C L Turner	(appointed 31 December 2016)

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

D L Clarke resigned as company secretary on 17 January 2017 and P A Gonsalves was appointed as company secretary on 17 January 2017.

DIVIDENDS

During the year dividends of £nil (2015: £24,000,000) were paid.

EMPLOYEES

The company has no employees (2015: nil). Management services are provided by a subsidiary undertaking as disclosed in note 19.

FINANCIAL INSTRUMENTS

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

POLITICAL DONATIONS

During the year, the company made no political donations (2015: £nil).

DIRECTORS' REPORT (continued)

EVENTS AFTER THE REPORTING DATE
On 9 January 2017, Old Mutual Wealth Holdings Limited, a subsidiary undertaking, sold its subsidiary Old Mutual Wealth Italy S.p.A. Further details are disclosed in note 20.

On 3 May 2017, the company issued 200,000,000 £1 ordinary shares for a consideration of £200,000,000 to its parent Old Mutual plc.

On 3 May 2017, the company purchased £134,000,000 of £1 shares in its subsidiary Old Mutual Wealth Holdings Limited.

On 19 May 2017, the company purchased £20,000,000 of £1 shares in its subsidiary Old Mutual Wealth Holdings Limited.

DISCLOSURE OF INFORMATION TO AUDITOR
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 auditor is 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 auditor is aware of that information.

AUDITOR
KPMG LLP have expressed their willingness to continue in office. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

P A Gonsalves
Secretary

1st August 2017

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 2016 set out on pages 8 to 28. 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 auditor
As explained more fully in the directors' responsibilities statement set out on page 6, 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 website 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 2016 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 is consistent with the financial statements.
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the strategic report and the directors' report:
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

Onisiforos Chourres

Onisiforos Chourres (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

25 September 2017.

INCOME STATEMENT
for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
REVENUE			
Investment return	4	60,224	46,983
TOTAL REVENUE		60,224	46,983
EXPENSES			
Administrative expenses	5	(9,803)	(1,131)
Finance costs	6	(6,242)	(4,404)
Loss on disposal of subsidiary	10	-	(26,233)
TOTAL EXPENSES		(16,045)	(31,768)
PROFIT BEFORE TAX		44,179	15,215
Taxation	9	1,265	812
PROFIT FOR THE YEAR		45,444	16,027
Attributable to equity holders		45,444	16,027

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

The notes on pages 13 to 28 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	2016	2015
	£'000	£'000
PROFIT FOR THE YEAR	45,444	16,027
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
All attributable to equity holders	45,444	16,027

The notes on pages 13 to 28 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Notes	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total equity holders' funds £'000
Balance at 1 January 2015		130,000	1,662,267	131,410	1,923,677
Profit for the year		-	-	16,027	16,027
Dividends paid	8	-	-	(24,000)	(24,000)
Balance at 1 January 2016		130,000	1,662,267	123,437	1,915,704
Profit for the year		-	-	45,444	45,444
Balance at 31 December 2016		130,000	1,662,267	168,881	1,961,148

The notes on pages 13 to 28 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
Investment in subsidiary undertakings	10	1,885,595	1,850,595
Loans and advances	11	237,948	187,028
Current tax assets		2,361	1,363
Other receivables	12	2,713	5,058
Cash and cash equivalents		36,517	27,058
Total assets		2,165,134	2,071,102
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	130,000	130,000
Merger reserve		1,662,267	1,662,267
Retained earnings		168,881	123,437
Total equity attributable to equity holders		1,961,148	1,915,704
LIABILITIES			
Interest bearing liabilities	14	201,622	150,654
Provisions	15	264	1,155
Other payables	16	2,100	3,589
Total liabilities		203,986	155,398
Total equity and liabilities		2,165,134	2,071,102

The notes on pages 13 to 28 are an integral part of these financial statements.

Approved by the board of directors on 1st August 2017 and signed on behalf by:

M O Satchel
Director

Company registered number: 6404270

STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	2016	2015
	£'000	£'000
OPERATING ACTIVITIES		
Net cash paid to service providers and suppliers	(9,590)	(5,978)
Tax and group relief received	267	416
Stamp duty paid	(213)	(148)
Net cash used in operating activities	(9,536)	(5,710)
INVESTING ACTIVITIES		
Dividends received	54,000	42,000
Net cash received/(paid) for short-term funding arrangements	2,227	(289)
Interest received on loans to group and subsidiary undertakings	8,368	-
Capital contributions paid to subsidiary undertakings	(35,000)	-
Proceeds from sale of subsidiary	(891)	4,580
Change in loan to group undertaking	(42,552)	(29,537)
Change in loan to subsidiary undertaking	(8,368)	(42,253)
Interest received	73	60
Net cash used in investing activities	(22,143)	(25,439)
FINANCING ACTIVITIES		
Interest paid	(9,830)	(815)
Dividends paid	-	(24,000)
Change in loan from immediate parent undertaking	50,968	42,253
Net cash from financing activities	41,138	17,438
Net increase/(decrease) in cash and cash equivalents	9,459	(13,711)
Cash and cash equivalents at beginning of the year	27,058	40,769
Cash and cash equivalents at end of the year	36,517	27,058

The notes on pages 13 to 28 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

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 financial statements have been prepared on a going concern basis. The board has reviewed the company's projections for the next 12 months and beyond including cash flow forecasts. As a result, the board has a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approving these accounts.

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 the 2016 annual financial statements

During the year, there were no new standards implemented that had a material effect on the financial statements of the company.

Future standards, amendments to standards, and interpretations not early-adopted in the 2016 annual financial statements

At the date of authorisation of these financial statements the following standards, amendments to standards, and interpretations, which are relevant to the company, have been issued by the International Accounting Standards Board.

IFRS 9 'Financial Instruments'
IFRS 9 'Financial Instruments' was issued in July 2014 and will replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 incorporates amendments to the classification and measurement of financial instruments, hedge accounting guidance, as well as the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI).

Classification and measurement of financial assets and liabilities
Financial assets are to be classified based on (i) the business model within which the financial assets are managed and (ii) the contractual cashflow characteristics of the financial assets.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest (hold to collect).

Financial assets are measured at fair value through other comprehensive income, if they are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets, and those contractual cashflows comprise solely payments of principal and interest ('hold to collect and sell').

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit or loss (FVTPL). Changes in the fair value of these financial liabilities which are attributable to the company's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 'Financial Instruments' (continued)
Impairment of financial assets
Impairments in terms of IFRS 9 will be determined based on an expected credit loss (ECL) model rather than the current incurred loss model required by IAS 39.

Companies will be required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the company's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

This standard is effective for accounting periods beginning on or after 1 January 2018. The company is in the process of assessing the impact of IFRS9.

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 and impairment charges. 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Other payables
Other payables are short-term, non-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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

3 FINANCIAL INSTRUMENTS RISK

Risk management framework
The Enterprise Risk Management (ERM) framework is defined for the Old Mutual Wealth (OMW) division of Old Mutual plc. The company has adopted the OMW ERM framework. The ERM framework comprises core components such as:
- Risk strategy, appetite and policy;
- Risk identification and assessment;
- Risk management, monitoring and assurance;
- Scenario testing and modelling;
- Risk reporting and escalation;
- Risk governance and three lines of defence;
- Culture, leadership and tone from the top.

The strategic aims are driven directly from the vision and are informed by risk experience over time. They represent the key elements of the strategy over the long term and represent the perspective from which key risks are identified in the business and the appetite for those risks. The strategic aims are as follows:
- Sustainability: Build a business for the long term, supported by appropriate capital and liquidity
- Customer: Customer centricity; putting the customer at the heart of our business throughout the customer relationship
- Strategic Priorities: To become an integrated business with leading Wealth brands and customer proposition, supported by the right talent and bench-strength to deliver the required transformational change
  - Distribution: Profitable, flexible, market leading investment platforms, Market leading cross-border investment business, Leading advised distribution
  - Investment: Build the leading investment and asset management capability
- Governance & Culture: Govern the Old Mutual Wealth Management Limited business and its subsidiaries in an effective and efficient manner, Operate a responsible business making decisions that take account of the impact on those around us, Establish, promote and maintain an effective culture embedded through all areas of the business
- Financial Performance: Achieve compelling financial returns over the long term

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

Risk appetite statements and key risk indicators have been defined with a particular focus on conduct risks in order to monitor the risks that could lead to poor customer outcomes. Key risk indicators are monitored and reported on a regular basis to identify emerging threats and identify actions to manage risks within appetite. Our risk appetite is reviewed at least annually, taking account of environmental changes and strategic opportunities. In addition the OMW suite of policies set out the standards that are required by the business in managing risks.

From an Old Mutual Wealth Management Limited perspective, the material risks faced by the company itself are described below.

3 FINANCIAL INSTRUMENTS RISK (continued)

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 division 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 loans to and from a subsidiary undertaking, a loan from the immediate parent company and surplus cash which is held on an interest bearing bank account.

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.

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 £82,000 (2015: decrease £105,000) after tax; an equal change in the opposite direction would have decreased profit by £197,000 (2015: increase £68,000) after tax.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

4 INVESTMENT RETURN

	2016 £'000	2015 £'000
Interest receivable from subsidiary undertaking	6,151	4,925
Dividends from subsidiary undertakings	54,000	42,000
Interest on short term bank deposits	73	58
	60,224	46,983

5 ADMINISTRATIVE EXPENSES

	2016 £'000	2015 £'000
Administrative expenses	9,803	1,131
Administrative expenses include:		
Management fees paid to subsidiary undertaking (see note 19)	9,590	983
Of which:		
Auditor's remuneration: services paid to KPMG LLP	6	6

Auditor's remuneration for services consists of fees in respect of the statutory audit. There are no non-audit fees.

6 FINANCE COSTS

	2016 £'000	2015 £'000
Financing costs for liabilities held at amortised cost		
Interest payable to immediate parent undertaking	6,007	4,148
Interest payable to subsidiary undertaking	235	256
	6,242	4,404

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

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.

	2016 £'000	2015 £'000
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	2,424	2,338
Company pension contribution to money purchase schemes	17	38

1 director had money paid to a money purchase scheme during the year (2015: 1).

2 directors received or were due to receive shares or share options in Old Mutual plc under a long term incentive scheme (2015: 2). 2 directors (2015: 2) exercised options during the year.

	2016 £'000	2015 £'000
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	1,086	1,233

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

The directors' emoluments disclosed above are in respect of the two directors of the company in office during the year who are directly employed by Old Mutual Wealth Business Services Limited, a subsidiary undertaking (2015: 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).

The above emoluments also include the fees paid to the non-executive directors except for J B Hemphill and I G Johnson as they consider that their services to the company are incidental to their duties within the Old Mutual group.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

8 DIVIDENDS

	2016 £'000	2015 £'000
Dividends paid		
Aggregate dividends	-	24,000
Dividends per share	-	18.46p

9 TAXATION

	2016 £'000	2015 £'000
Current year corporation tax credit	(1,264)	(812)
Prior year corporation tax credit	(1)	-
Tax credit for the year	(1,265)	(812)

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

	2016	2015
Pre-tax profit	44,179	15,215
Tax on profit at the applicable tax rate, 20% (2015: 20.25%)	8,836	3,081
Effect of:		
UK dividends receivable	(10,800)	(8,505)
Impairment of subsidiary not tax deductible	-	4,067
Expenses not deductible for tax purposes	700	545
Prior year corporation tax credit	(1)	-
	(1,265)	(812)

From 1 April 2015 the main rate of UK corporation tax was reduced to 20%. Further reductions to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted in 2015 and 2016 respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

10 INVESTMENTS IN SUBSIDIARIES

	2016 £'000	2015 £'000
Investment in subsidiary undertakings	1,885,595	1,850,595

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 2015	1,875,258
Disposal of subsidiary	(24,663)
At 31 December 2015	1,850,595
Capital contribution to subsidiary undertaking	35,000
At 31 December 2016	1,885,595

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

Company	**Shareholding**	**Registered Office Address**
IFA Holding Company Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
IFA Services Holdings Company Limited	Class A and Class B ordinary shares	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Business Services Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Holdings Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Life Assurance Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Life & Pensions Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Nominees Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth Pensions Trustee Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Wealth UK Holding Limited	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ

10 INVESTMENTS IN SUBSIDIARIES (continued)

Onenote Limited (dissolved 24 January 2017)	Ordinary	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Selestia Investments Limited	Class A, B1, B2, B3 and C shares	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Selestia Services Limited (dissolved 24 January 2017)	Class A1, B1, B2, C and R shares	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Old Mutual Global Investors Holdings Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Old Mutual Global Investors (UK) Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Old Mutual Investment Management Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Old Mutual Wealth Private Client Advisers Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Beaumont Robinson Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
DQS Financial Management Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Michael Waite Independent Financial Advice Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4AJ
Cheviot Capital (Nominees) Limited	Ordinary	One Kingsway, London, WC2B 6AN
Cheviot GP Limited	Ordinary	One Kingsway, London, WC2B 6AN
QUILPEP Nominees Limited	Class A and B2 shares	One Kingsway, London, WC2B 6AN
Quilter Cheviot Holdings Limited	Ordinary	One Kingsway, London, WC2B 6AN
Quilter Cheviot Limited	Class A and L shares	One Kingsway, London, WC2B 6AN
Quilter Nominees Limited	Class B shares	One Kingsway, London, WC2B 6AN
Cheviot Exodus LP	Ordinary	90 Long Acre, London, WC2E 9RA
Blueprint Distribution Limited	Ordinary and cumulative redeemable preference shares	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Blueprint Financial Services Limited	Ordinary and cumulative redeemable preference shares	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Blueprint Organisation Limited	Ordinary and cumulative redeemable preference shares	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH

10 INVESTMENTS IN SUBSIDIARIES (continued)

Intrinsic Valuation Services Limited (formerly Cirilium Asset Management Limited)	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Cirilium Investment Company Limited	Class A, Class B and preference shares	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Financial Planning Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Financial Services Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Financial Solutions Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Mortgage Planning Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Wealth Financial Solutions Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Wealth Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Positive Solutions (Financial Services) Limited	Class B1 shares	Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY
Think Synergy Limited	Ordinary	Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY
Old Mutual International Business Services Limited (incorporated in the Isle of Man)	Ordinary	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual International Holdings Limited (incorporated in the Isle of Man)	Ordinary	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual International Isle of Man Limited (incorporated in the Isle of Man)	Ordinary	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual International Trust Company Limited (incorporated in the Isle of Man)	Ordinary	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual International (Ireland) Limited (incorporated in Ireland)	Ordinary	Arthur Cox Building, Earlsfort Terrace, Dublin 2, D02 CK83
Pembroke Quilter (Ireland) Nominees Limited (incorporated in Ireland)	Ordinary	Hambledon House, 2nd Floor, 19/26 Lower Pembroke Street, Dublin 2, Ireland

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

10 INVESTMENTS IN SUBSIDIARIES (continued)

C.I.P.M Nominees Limited (incorporated in Jersey)	Ordinary	4th Floor 28/30 The Parade, St Helier, Jersey, JE2 3QQ
QGCI Nominees Limited (incorporated in Jersey)	Ordinary	4th Floor 28/30 The Parade, St Helier, Jersey, JE2 3QQ
Old Mutual International (Middle East) Limited (incorporated in Dubai)	Ordinary shares and Class B and Class D redeemable cumulative preference shares	7&8, Level 2, Gate Village 7, Dubai International Financial Centre, Dubai, 482062, United Arab Emirates
Old Mutual Global Investors (Asia Pacific) Limited (incorporated in Hong Kong)	Ordinary	24th Floor, Henley Building, 5 Queen's Road, Central Hong Kong
Old Mutual Global Investors (Switzerland) LLC (incorporated in Switzerland)	Ordinary	Schützengasse 4, 8001 Zürich, Switzerland
Old Mutual Global Investors (Singapore) PTE. Limited (incorporated in Singapore)	Ordinary	8 Marina Boulevard, #05-02, Marina Bay Financial Centre, Singapore (018981)
Old Mutual Wealth Italy S.p.A. (incorporated in Italy) (sold 9 January 2017)	Ordinary	Via Fatebenefratelli, 3-20121 Milano, Italy

2015 disposal of subsidiary
On 2 February 2015 the company sold its interest in its Luxembourg subsidiary Skandia Life S.A. for £4,580,000. The investment was initially held at a carrying value of £24,663,000, which resulted in an initial loss on sale of £20,083,000. Further costs were incurred during the year of £6,150,000, resulting in a total loss on sale of £26,233,000.

2016 capital contributions
During 2016 the company made capital contributions of £35,000,000 to its subsidiary Old Mutual Wealth Holdings Limited.

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.

10 INVESTMENTS IN SUBSIDIARIES (continued)

Key assumptions applied to the value-in-use calculation

Long-term business
The shareholders' recoverable amount is determined using Sovency II own funds 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. Solvency II is a European Union directive which defines a set of requirements for European insurance entities in respect of the measurement of assets and liabilities, the assessment of risk-based capital requirements, risk management and governance practices.

The cash flows included in the value-in-use calculations are actuarially determined with reference to the Solvency II methodology and utilise 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

	2016
Period on which management approved forecasts are based	5 - 20 years
Growth rate applied beyond approved business plan period	1.3% to 4.0%
Discount rate applied to long-term business	8.6%
Discount rate applied to asset management business	8.6%

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.

11 LOANS AND ADVANCES

	2016 £'000	2015 £'000
Loan to group undertaking (see note 19)	97,498	54,946
Loans to subsidiary undertaking (see note 19)	140,450	132,082
	237,948	187,028

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

All loans are repayable on demand. The loan to group undertaking interest free. The loans to subsidiary undertaking are charged at an interest rates of annual LIBOR plus 0.5% and 10%. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances recognised in the financial year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

12 OTHER RECEIVABLES

At amortised cost	2016 £'000	2015 £'000
Due from subsidiary undertakings (see note 19)	2,708	5,053
Other receivables	5	5
	2,713	5,058

All amounts due from group companies are unsecured and are settled on demand. The directors consider that the carrying amount of trade and other receivables approximate their fair value.

13 SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
130,000,256 (2015: 130,000,256) ordinary shares of £ 1 each	130,000	130,000

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

14 INTEREST BEARING LIABILITIES

	2016 £'000	2015 £'000
Loan from immediate parent undertaking at 3 month LIBOR + 0.10% (see note 19)	82,920	82,920
Loan from immediate parent undertaking at 10% (see note 19)	50,621	42,253
Loan from immediate parent undertaking at 3.125% (see note 19)	42,600	-
Loan from subsidiary undertaking at 1 month LIBOR + 0.50% (see note 19)	25,481	25,481
	201,622	150,654

Amounts borrowed are unsecured, repayable on demand. The carrying amount approximates to fair value which is valued as the principal amount repayable.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

15 PROVISIONS

	Provision for warranties and indemnities £'000
Balance at 1 January 2015	-
Additions in the year	1,155
Balance at 31 December 2015	1,155
Utilisation	(891)
Balance at 31 December 2016	264

The provision represents the directors' best estimate of the cost of warranty and indemnity claims following the sale of its subsidiary Skandia Life S.A.

16 OTHER PAYABLES

	2016 £'000	2015 £'000
At amortised cost		
Due to immediate parent undertaking (see note 19)	-	3,589
Due to subsidiary undertaking (see note 19)	2,100	-
	2,100	3,589

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

17 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments as at 31 December 2016 (2015: £nil).

18 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2016 (2015: £nil).

19 RELATED PARTY TRANSACTIONS

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

	2016 £'000	2015 £'000
Management fees paid to subsidiary undertaking (see note 5)	9,590	983

Management services and fixed assets in the current and prior period in the UK are provided by Old Mutual Wealth Business Services Limited, a subsidiary undertaking. Old Mutual Wealth 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 from or to group undertakings at the reporting date are included in notes 12 and 16 respectively.

Details of intragroup loans are given in notes 11 and 14 and the interest thereon in notes 4 and 6.

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

20 EVENTS AFTER THE REPORTING DATE

On 9 January 2017, Old Mutual Wealth Holdings Limited, a subsidiary undertaking, sold Old Mutual Wealth Italy S.p.A. for £221,459,000.

On 3 May 2017, the company issued 200,000,000 £1 ordinary shares for a consideration of £200,000,000 to its parent Old Mutual plc.

On 3 May 2017, the company purchased £134,000,000 of £1 shares in its subsidiary Old Mutual Wealth Holdings Limited.

On 19 May 2017, the company purchased £20,000,000 of £1 shares in its subsidiary Old Mutual Wealth Holdings Limited.

21 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