ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2017

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) 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 68 Above Bar Street Southampton SO14 7DS
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 2017.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

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.

FUTURE OUTLOOK

Old Mutual plc continues to pursue its managed separation strategy, and has announced that its intends to pursue one or more transactions which will ultimately deliver two separate entities, listed on both the London and Johannesburg stock exchanges, into the hands of Old Mutual plc's then shareholders. One of these entities will consist principally of the Old Mutual Wealth operations and the primary means of achieving this outcome is likely to be through a demerger, with the possibility of a small Initial Public Offering at the earliest opportunity in 2018 after the 2017 full year results.

Good progress has been made with the programme of activity as Old Mutual Wealth works towards independence as part of the managed separation from Old Mutual plc. By the end of 2017, all functions had materially delivered all changes necessary to be standalone. To ensure the organisation is fit for purpose as a listed, standalone entity, Old Mutual Wealth has continued to reshape and strengthen its executive management team and Board. It has also strengthened the boards of its principal regulated subsidiaries by increasing the level of independence on those boards, including through additional representation from the Non-Executive directors.

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). IFRS AOP reflects the directors' view of the underlying performance of the company and is a measure of profitability which adjusts the standard IFRS profit measure to remove specific non operating items; the quantum of these are shown in table B below.

The profit for the year, after taxation, amounted to £247,921,000 (2016: £45,444,000).

Table A: Key performance indicators.

	2017 £'000	2016 £'000
Investment return	302,388	60,244
IFRS adjusted operating loss before tax	(18,150)	(3,814)
IFRS adjusted operating loss after tax	(15,149)	(3,750)
IFRS profit after tax	247,921	45,444

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

	2017 £'000	2016 £'000
Adjusted operating loss before tax	(18,150)	(3,814)
Interest on group funding	(6,882)	(6,007)
Dividends received	295,601	54,000
Managed separation costs	(31,334)	-
Taxation	8,686	1,265
Profit after tax for the financial year	247,921	45,444

STRATEGIC REPORT (continued)

FINANCIAL POSITION AT THE END OF THE YEAR
The company's total net assets have increased from £1,961m to £2,257m, with cash and cash equivalents increasing from £37m to £65m.

During the year, Old Mutual Wealth Holdings Limited, a subsidiary undertaking, sold its subsidiary Old Mutual Wealth Italy S.p.A. for £221m.

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, and on 27 November 2017 the company carried out a share capital reduction, which cancelled the 200,000,000 £1 ordinary shares, transferring the balance to retained earnings.

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.

On 21 December 2017, Old Mutual plc subscribed for 1 ordinary £1 share for £58,143,519. The consideration was settled by the cancellation of an equivalent liability to Old Mutual plc.

On 22 December 2017, the company purchased £16,100,000 of £1 shares in its subsidiary Old Mutual Wealth Holdings Limited.

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 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

12 March 2018

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2017.

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

DIRECTORS

The names of the current directors are listed on page 1. The directors who have held office during the year are listed below:

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	
C H Eppinger	(resigned 30 September 2017)
R Harris	(appointed 3 April 2017)
J B Hemphill	
I G Johnson	
G P Jones	
M Kilcoyne	
Lord A P Leitch	(resigned 31 March 2017)
J M Little	(appointed 5 May 2017)
R M J Marshall	(resigned 31 March 2017)
G M Reid	(appointed 8 February 2017)
C L Turner	

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

Interim dividends of £209,914,000 were declared and paid during the year. The directors did not recommend payment of a final dividend (2016: nil).

EMPLOYEES

The company has no employees (2016: nil). Management services are provided by a subsidiary undertaking as disclosed in note 20.

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 (2016: nil).

DIRECTORS' REPORT (continued)

EVENTS AFTER THE REPORTING DATE

The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with net asset value of £591 million. The transfer was financed by the issue of a share and with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the statement of financial position of Old Mutual Wealth Holdings Limited, a subsidiary undertaking.

New financing arrangements
In February 2018 the company issued a 10 year £200 million bond (a tier 2, subordinated debt instrument) with an annual interest cost of 4.48%.

In February 2018 the company obtained a 3 year £300 million term loan, a senior unsecured loan with five banks all owning an equal share with an annual interest cost of 1.03%. The terms and conditions of this loan include the trigger of repayment upon the disposal of the Single Strategy asset management business. This loan is therefore expected to be repaid in full at that time with no early repayment fee.

At the 2017 year-end, the company and its subsidiary undertakings had net payables due to Old Mutual plc of £766 million. The acquisition of Skandia UK Limited (see above) in January 2018 reduced this payable by £566 million to £200 million; the remaining £200 million liability to Old Mutual plc was settled from existing resources of the company including the new financing arrangements described above.

In February 2018 the Group entered into a new £125 million revolving credit facility (RCF) with the same banks providing the new term loan. The RCF is only expected to be used in stress scenarios and, as such, is currently undrawn and is expected to remain undrawn during 2018. The annual cost of this facility is expected to be £0.5 million. An initial cost of £0.6 million has also been incurred.

STATEMENT OF GOING CONCERN
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 financial statements.

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 they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

AUDITOR
KPMG LLP have confirmed 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
12 March 2018

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.

INCOME STATEMENT
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
REVENUE			
Investment return	4	302,388	60,224
TOTAL REVENUE		302,388	60,224
EXPENSES			
Administrative expenses	5	(56,031)	(9,803)
Finance costs	6	(7,122)	(6,242)
TOTAL EXPENSES		(63,153)	(16,045)
PROFIT BEFORE TAX		239,235	44,179
Taxation	9	8,686	1,265
PROFIT FOR THE YEAR		247,921	45,444
Attributable to equity holders		247,921	45,444

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

The notes on pages 14 to 36 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	2017 £'000	2016 £'000
PROFIT FOR THE YEAR	247,921	45,444
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
All attributable to equity holders	247,921	45,444

The notes on pages 14 to 36 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

		Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity holders' funds £'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 1 January 2017		130,000	-	1,662,267	168,881	1,961,148
Profit for the year		-	-	-	247,921	247,921
Issue of share capital	14	200,000	-	-	-	200,000
Reduction of share capital	14	(200,000)	-	-	200,000	-
Share premium	14	-	58,144	-	-	58,144
Dividends paid	8	-	-	-	(209,914)	(209,914)
Balance at 31 December 2017		130,000	58,144	1,662,267	406,888	2,257,299

The notes on pages 14 to 36 are an integral part of these financial statements.

Old Mutual Wealth Management Limited

STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
Investment in subsidiary undertakings	10	2,069,481	1,885,595
Loans and advances	11	289,628	237,948
Current tax assets		9,949	2,361
Other receivables	13	3,765	2,713
Cash and cash equivalents		64,577	36,517
Total assets		2,437,400	2,165,134
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	14	130,000	130,000
Share premium		58,144	-
Merger reserve		1,662,267	1,662,267
Retained earnings		406,888	168,881
Total equity attributable to equity holders		2,257,299	1,961,148
LIABILITIES			
Interest bearing liabilities	15	148,522	201,622
Provisions	16	264	264
Other payables	17	31,315	2,100
Total liabilities		180,101	203,986
Total equity and liabilities		2,437,400	2,165,134

The notes on pages 14 to 36 are an integral part of these financial statements.

Approved by the board of directors on 12 March 2018 and signed on its behalf by:

T J W Tookey
Director

Company registered number: 6404270

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	2017	2016
	£'000	£'000
OPERATING ACTIVITIES		
Net cash paid to service providers and suppliers	(56,031)	(9,590)
Tax and group relief received	1,098	267
Stamp duty paid	-	(213)
Net cash used in operating activities	(54,933)	(9,536)
INVESTING ACTIVITIES		
Dividends received	295,601	54,000
Net cash received from short-term funding arrangements	29,215	2,227
Interest received on loans to group and subsidiary undertakings	5,705	8,368
Purchase of shares in subsidiary undertakings	(170,100)	-
Acquisition of subsidiaries	(13,786)	-
Capital contributions paid to subsidiary undertakings	-	(35,000)
Proceeds from sale of subsidiary	-	(891)
Change in loan to group undertaking	(3)	(42,552)
Change in loan to subsidiary undertaking	(51,677)	(8,368)
Interest received	30	73
Net cash from/(used in) investing activities	94,985	(22,143)
FINANCING ACTIVITIES		
Interest paid	(7,122)	(9,830)
Increase in share premium	58,144	-
Receipt of share capital	200,000	-
Dividends paid	(209,914)	-
Change in loan from immediate parent undertaking	(53,100)	50,968
Net cash (used in)/from financing activities	(11,992)	41,138
Net increase in cash and cash equivalents	28,060	9,459
Cash and cash equivalents at beginning of the year	36,517	27,058
Cash and cash equivalents at end of the year	64,577	36,517

The notes on pages 14 to 36 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 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 the 2017 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 2017 annual financial statements

At the date of authorisation of these financial statements the following standards, 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'. The standard is effective for financial years commencing on or after 1 January 2018. The final version of this standard incorporates amendments to the classification and measurement, 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). These elements of the final standard, and a description of the expected impact on the company's statement of financial position and performance, are discussed in detail below:

The company will implement IFRS 9 with effect from 1 January 2018, with the impact of the cumulative adjustment reflected as an adjustment to opening retained earnings.

Classification and measurement of financial assets and liabilities
All financial assets under IFRS 9 are to be initially recognised at fair value, including directly attributable transactions costs (for financial assets not measured at fair value through profit or loss (FVTPL)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 'Financial Instruments' (continued)
Financial assets are to be classified based on (i) the business model within which the financial assets are managed and (ii) the contractual cash flow characteristics of the financial assets (whether the cash flows represent 'solely payment of principal and interest'). 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 cash flows and those cash flows comprise solely payments of principal and interest ('hold to collect'). Financial assets are measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and those contractual cash flows comprise solely payments of principal and interest ('hold to collect and sell'). Movements in the carrying amount of these financial assets should be taken through other comprehensive income (OCI), except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Other financial assets are measured at FVTPL. All derivative instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at FVTPL.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at FVTPL. Changes in the fair value of these financial liabilities that are attributable to the company's own credit risk are recognised in OCI.

For equity investments that are neither held for trading nor contingent consideration, the company may irrevocably elect to present subsequent changes in fair value of these equity investments in either (i) profit or loss (FVTPL); or (ii) other comprehensive income (FVOCI). Where the equity investment 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.

Based on the assessment of financial assets at 31 December 2017, the company does not expect the impact of the changes to classification and measurement of financial assets to be significant to the company's statement of financial position and performance.

Impairment of financial assets
Under IFRS 9 impairment is determined based on an expected credit loss (ECL) model rather than the current incurred loss model required by IAS 39. The company 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 entity'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.

The ECL model applies to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts.

The IFRS 9 Impairment Implementation continued to progress during 2017. The following were the main areas of focus for 2017:
– Development, build and testing of impairment models with respect to financial assets held at amortised cost or FVOCI ;
– Finalisation of the reporting and disclosure framework, and completion of the supporting business rules; and
– Documentation and implementation of the relevant control environment and related governance processes.

Significant development in the above areas facilitated the performance of a parallel run for the majority of the company's significant holdings of financial assets held at amortised cost or FVOCI during the latter part of 2017.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 'Financial Instruments' (continued)

Key assumptions and judgements applied in relation to the new impairment model:

- Cash at bank – no ECL allowance is recognised, as deposits are held with banks with medium to high quality credit ratings and credit risk is considered to be minimal.
- Inter-company loans – no ECL allowance is recognised as these balances are internal to the company and credit risk is considered to be low.
- Loans and receivables (longer term) – methodology based on provision matrix approach, whereby historical data is extrapolated forward to derive a 12 month ECL allowance and then monitored for increases in credit risk which may trigger the recognition of a Lifetime ECL.
- Other assets (short term) – simplified approach is adopted, whereby a Lifetime ECL is recognised immediately and there is no need to track for any increases in credit risk.

The company has estimated that the impact of adopting IFRS 9's ECL model has an immaterial transitional impact on the company's opening retained earnings at 1 January 2018.

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

IFRS 15 Revenue from Contracts with Customers (endorsed by the European Union)
IFRS 16 Leases (endorsed by the European Union)
IFRS 17 Insurance Contracts (yet to be endorsed by the European Union)

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.

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 financial statements.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. The taxable income for the year is determined in accordance with enacted legislation and taxation authority practice for calculating the amount of tax payable.

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

Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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. Old Mutual Wealth Management Limited adopts the OMW ERM framework. The ERM framework comprises core components such as:

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

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

OMW's risk appetite framework ("RAF") is defined as the policies, processes, skills and systems that set out the way that OMW staff across all business and control functions should talk about, think about, and manage risk in relation to OMW's risk appetite. OMW's RAF builds upon the existing business planning, capital and risk management processes.

The RAF has three distinctive components:

- Strategy and Business Planning Process: High level strategic risk appetite principles provide 'macro' statements that enable risk appetite to be linked and aggregated at the highest level to the strategic drivers of the business.
- The Stress and Scenario Framework: Quantitative risk appetite statements linked to the businesses strategic objectives, and contractual and regulatory requirements.
- The Risk Policy Framework: Quantitative and qualitative risk appetite statements for individual risks embedded into the policy framework. These set out the approach taken within OMW Group to mitigate and manage risks, informed by the policy appetite statements and control standards.

OMW's risk culture is defined as the system of values and behaviours embedded in OMW that shapes risk decisions. Fostering a risk-aware culture acts as a business enabler whereby management feel empowered to take risks in a manner that is transparent and that is in line with the business and risk strategy. OMW's risk culture is defined by the following principles:

- Responsibility and accountability for risk management is clearly assigned throughout the organisation with the aim of fostering an open and transparent organisational culture that encourages the right behaviours.
- We create a climate for our employees to voice genuine concerns about, and risks within, the business.
- A risk-aware culture is seen as an enabler for management to be empowered to take risks in a manner that is transparent and 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.

3 FINANCIAL INSTRUMENTS RISK (continued)

Operational Risk
OMW accepts a level of Operational risk as an integral and unavoidable part of our business where it arises out of the activities we undertake in order to provide services to our customers and generate profits for our shareholders. Under the ERM Framework which has been adopted, operational risk is defined as 'The risk of loss (or unintentional gain/profit) arising from inadequate or failed internal processes, or from personnel and systems, or from external events (other than financial or business environment risks), resulting in an adverse impact to earnings or reduced solvency.'

The prime objectives of Operational Risk Management within OMW are to ensure there is:-

- Robust risk culture so that employees are able to identify, assess, manage and report against the key risks the business is faced with and/or may face as it looks to the horizon and implements the group business strategy;
- Appropriate balance between minimising risk and the cost of control;
- A defined risk appetite within which risks are managed;
- Swift and effective responses to events in order to minimise impact.

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

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

The company is exposed to credit and counterparty risk primarily arising from the investment of its shareholder funds. Sources of credit risk are managed in line with the requirements of the Credit Risk Policy that ensures cash is placed with highly rated counterparties and is appropriately diversified. The company additionally makes loans to other entities in the Group which are monitored to ensure the credit and counterparty risk is appropriately managed.

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
Interest rate risk is defined as the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for, a negative impact on earnings or capital and / or reduced solvency.

An exposure exists as a result of a small number of loans that are linked to an underlying variable interest rate, such as LIBOR, and so the value of these interest payments will vary if the underlying interest rate changes. It also has a small number of loans that have fixed interest rates, where the present value of these loans would vary in the event of a change in interest rates. The company monitors the impact of interest rate changes on its financial position, with the risk managed in line with its Market Risk Policy.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3 FINANCIAL INSTRUMENTS RISK (continued)

Liquidity risk
The risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due, or that market conditions preclude the ability of the firm to trade in liquid assets in order to maintain its ALM profile.

The liquidity strategy is to maintain sufficient liquidity within the business such that it can meet its target liquidity requirement at all times. The minimum requirements are set out in the Liquidity Policy that ensures a risk appetite statement, limits and triggers are in place, supported by an appropriate Contingency Funding Plan that addresses potential liquidity requirements that may arise during a liquidity stress.

There is a risk that Brexit, other political developments or developments otherwise affecting market confidence may result in outflows of assets from investment portfolios with exposure to the UK, which could include asset portfolios held by the company's Advice & Wealth Management segment, or funds administered by the Group but invested with third party fund managers. Due to the size and importance of the UK economy in the global economy, particularly with respect to the UK financial services market, as well as the uncertainty and unpredictability concerning the UK's legal, political, financial and economic relationship with the EU after Brexit, there may continue to be instability in the national and international financial markets, significant currency fluctuations and otherwise adverse effects on consumer confidence for the foreseeable future, including beyond the date of the UK's withdrawal from the EU.

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 decreased profit and shareholders equity by £830,000 (2016: increase £82,000) after tax; an equal change in the opposite direction would have increased profit by £871,000 (2016: decrease £197,000) after tax.

4 INVESTMENT RETURN

	2017 £'000	2016 £'000
Interest receivable from immediate parent undertaking	2	-
Interest receivable from subsidiary undertaking	6,750	6,151
Dividends from subsidiary undertakings	295,601	54,000
Interest on short term bank deposits	35	73
	302,388	60,224

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

5 ADMINISTRATIVE EXPENSES

	2017 £'000	2016 £'000
Administrative expenses	56,031	9,803
Administrative expenses include:		
Management fees paid to subsidiary undertaking (see note 20)	56,031	9,590
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

	2017 £'000	2016 £'000
Financing costs for liabilities held at amortised cost		
Interest payable to immediate parent undertaking	6,881	6,007
Interest payable to subsidiary undertaking	241	235
	7,122	6,242

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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.

	2017 £'000	2016 £'000
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	4,201	2,424
Company pension contribution to money purchase schemes	10	17

2 directors had money paid to a money purchase scheme during the year (2016: 1).

4 directors received or were due to receive shares or share options in Old Mutual plc under a long term incentive scheme (2016: 2). 2 directors (2016: 2) exercised options during the year.

	2017 £'000	2016 £'000
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	1,323	1,086

The highest paid director did not exercise share options during the current year, but did exercise share options in the prior year.

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 Old Mutual Wealth Business Services Limited, a subsidiary undertaking (2016: 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 2017

8 DIVIDENDS

	2017 £'000	2016 £'000
Dividends paid		
Aggregate dividends	209,914	-
Dividends per share	161.47p	-

9 TAXATION

	2017 £'000	2016 £'000
Current year corporation tax credit	(8,516)	(1,264)
Prior year corporation tax credit	(170)	(1)
Tax credit for the year	(8,686)	(1,265)

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

	2017	2016
Profit before tax	239,235	44,179
Tax on profit at the applicable tax rate, 19.25% (2016: 20%)	46,053	8,836
Effect of:		
UK dividends receivable	(56,903)	(10,800)
Movement in provisions	385	-
Expenses not deductible for tax purposes	1,949	700
Prior year adjustment	(170)	(1)
	(8,686)	(1,265)

From 1 April 2017 the main rate of UK corporation tax was reduced to 19%. A further reduction to 17% from 1 April 2020 was enacted in 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10 INVESTMENTS IN SUBSIDIARIES

	2017 £'000	2016 £'000
Investment in subsidiary undertakings	2,069,481	1,885,595

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 2016	1,850,595
Capital contributions to fellow group undertakings	35,000
At 31 December 2016	1,885,595
Investment in subsidiary undertaking	170,100
Acquisition of subsidiaries	13,786
At 31 December 2017	2,069,481

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

2017 investment in subsidiaries
During 2017 the company purchased £170,100,000 of shares in its subsidiary Old Mutual Wealth Holdings Limited. During the year the company acquired Commsale 2000 Limited for £287,000, Global Edge Technologies (Pty) Limited for £800,000 and Old Mutual Wealth Business Services Limited for £12,699,000.

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10 INVESTMENTS IN SUBSIDIARIES (continued)

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
Selestia Investments Limited	Class A, B1, B2, B3 and C shares	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Beaumont Robinson Limited (dissolved 9 January 2018)	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Commsale 2000 Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Dodd Murray Limited	Ordinary class B,C,D,I & K	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
DQS Financial Management Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Infiniti Financial Planning & Investment Management Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Maestro Financial Services Limited	Ordinary and preference shares	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Michael Waite Independant Financial Advice Limited (dissolved 9 January 2018)	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
NPL Financial Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Old Mutual Global Investors (UK) Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4WR
Old Mutual Global Investors Holdings 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 4GG

10 INVESTMENTS IN SUBSIDIARIES (continued)

Old Mutual Wealth Private Client Advisers Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
OMIFM Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
OMW CoSec Services Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Premier Planning Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Premier Wealth Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Quilter Cheviot Investment Management Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Quilter Financial Planning Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Quilter International Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Quilter Investors Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Quilter Life Assurance Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Quilter Private Client Advisors Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Quilter Wealth Solutions Limited	Ordinary	Millennium Bridge House 2 Lambeth Hill, London, EC4V 4GG
Cheviot Capital (Nominees) 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 Group Limited (formerly Cheviot GP Limited)	Ordinary	One Kingsway, London, WC2B 6AN
Quilter Limited	Ordinary	One Kingsway, London, WC2B 6AN
Quilter Nominees Limited	Class B shares	One Kingsway, London, WC2B 6AN

10 INVESTMENTS IN SUBSIDIARIES (continued)

Violet No2 Limited (formerly Attivo Investment Management Limited)	Ordinary	One Kingsway, London, WC2B 6AN
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
Caerus Bureau Services Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Capital Group Limited	Ordinary and Class B Shares	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Financial Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Holdings Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Portfolio Management Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Wealth Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Wealth Solutions 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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10 INVESTMENTS IN SUBSIDIARIES (continued)

Intrinsic Valuation Services 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 dac (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
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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10 INVESTMENTS IN SUBSIDIARIES (continued)

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)
AAM Advisory PTE Limited (incorporated in Singapore)	Ordinary	Capita Green #06-01, 138 Market Street, Singapore 048946
Global Edge Technologies (Pty) Limited (incorporated in Republic of South Africa)	Ordinary	Mutual Gardens, Mowbray, Cape Town

10 INVESTMENTS IN SUBSIDIARIES (continued)

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 subsidiary. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise, 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 is determined using Solvency 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 Old Mutual Wealth division. The key assumptions that affect the value-in-use calculations are detailed below.

Assumptions

	2017
Period on which management approved forecasts are based	5 - 20 years
Growth rate applied beyond approved business plan period	2.9%
Discount rate applied to long-term business	9.4%
Discount rate applied to asset management business	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.

11 LOANS AND ADVANCES

	2017 £'000	2016 £'000
Lending to immediate parent company (see note 20)	15,488	-
Loan to group undertaking (see note 20)	97,501	97,498
Loans to subsidiary undertaking (see note 20)	176,639	140,450
	289,628	237,948

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 is interest free. The loans to subsidiary undertaking are charged at interest rates of annual LIBOR, annual LIBOR plus 0.5%, annual LIBOR plus 1.304% 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.

12 DEFERRED TAX

The following are the deferred tax balances and the movements thereon, during the current and prior reporting period.

	Tax losses carried forward £'000	Other carried forward £'000	Deferred tax asset not provided £'000	Deferred tax assets provided £'000
Liability/(asset) at 31 December 2015	-	-	-	-
Movement in the year	-	-	-	-
Liability/(asset) at 31 December 2016	-	-	-	-
Movement in the year	(1,695)	-	(1,695)	-
Liability/(asset) at 31 December 2017	(1,695)	-	(1,695)	-

From 1 April 2017 the main rate of UK corporation tax was reduced to 19%. A further reduction to 17% from 1 April 2020 was enacted in 2016.

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

The value of the deferred tax assets not recognised as at 31 December 2017 was £1,695,000 (2016: £nil). This relates to gross carried forward losses of £9,973,000 (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

13 OTHER RECEIVABLES

At amortised cost	2017 £'000	2016 £'000
Due from subsidiary undertakings (see note 20)	3,755	2,708
Other receivables	10	5
	3,765	2,713

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.

14 SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
130,000,257 (2016: 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.

On 3 May 2017 the company allotted 200,000,000 ordinary shares of £1 to Old Mutual plc. On 27 November 2017 the company reduced its share capital from £330,000,256 to £130,000,256.

On 21 December 2017 the company received £58,143,519 (being the total of 1 ordinary £1 share and the balance represented by share premium) from its parent Old Mutual plc in exchange for 1 share.

15 INTEREST BEARING LIABILITIES

	2017 £'000	2016 £'000
Loan from immediate parent undertaking at 3 month LIBOR + 0.10% (see note 20)	80,441	82,920
Loan from immediate parent undertaking at 10% (see note 20)	-	50,621
Loan from immediate parent undertaking at 3.125% (see note 20)	42,600	42,600
Loan from subsidiary undertaking at 1 month LIBOR + 0.50% (see note 20	25,481	25,481
	148,522	201,622

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

16 PROVISIONS

	Provision for warranties and indemnities £'000
Balance at 1 January 2016	1,155
Utilisation	(891)
Balance at 31 December 2016	264
Balance at 31 December 2017	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.

17 OTHER PAYABLES

	2017 £'000	2016 £'000
At amortised cost		
Due to subsidiary undertaking (see note 20)	31,315	2,100
	31,315	2,100

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

18 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments as at 31 December 2017 (2016: £nil).

19 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2017 (2016:nil).

20 RELATED PARTY TRANSACTIONS

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

	2017 £'000	2016 £'000
Management fees paid to subsidiary undertaking (see note 5)	56,031	9,590

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 13 and 17 respectively.

Details of intragroup loans are given in notes 11 and 15 and the interest thereon in notes 4 and 6.

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

21 EVENTS AFTER THE REPORTING DATE

The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with net asset value of £591 million. The transfer was financed by the issue of a share and with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the statement of financial position of Old Mutual Wealth Holdings Limited, a subsidiary undertaking.

New financing arrangements
In February 2018 the company issued a 10 year £200 million bond (a tier 2, subordinated debt instrument) with an annual interest cost of 4.48%.

In February 2018 the company obtained a 3 year £300 million term loan, a senior unsecured loan with five banks all owning an equal share with an annual interest cost of 1.03%. The terms and conditions of this loan include the trigger of repayment upon the disposal of the Single Strategy asset management business. This loan is therefore expected to be repaid in full at that time with no early repayment fee.

At the 2017 year-end, the company and its subsidiary undertakings had net payables due to Old Mutual plc of £766 million. The acquisition of Skandia UK Limited (see above) in January 2018 reduced this payable by £566 million to £200 million; the remaining £200 million liability to Old Mutual plc was settled from existing resources of the company including the new financing arrangements described above.

In February 2018 the Group entered into a new £125 million RCF with the same banks providing the new term loan. The RCF is only expected to be used in stress scenarios and, as such, is currently undrawn and is expected to remain undrawn during 2018. The annual cost of this facility is expected to be £0.5 million. An initial cost of £0.6 million has also been incurred.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

22 ULTIMATE PARENT COMPANY

The company does not prepare consolidated financial statements on the basis that its results and those of subsidiaries 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