

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

2009

TUESDAY



AAFM1NEN

A11

14/09/2010

101

COMPANIES HOUSE

OMFS Central Services Limited

Registered in England No. 01011754

CONTENTS

Company information	1
Directors' report	2 - 3
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report	5
Income statement	6
Statement of changes in equity	7
Statement of financial position	8
Statement of cash flows	9
Notes to the financial statements	10 - 20

COMPANY INFORMATION

Directors	K Murray M C Murray
Secretary	P Forsythe
Auditors	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
Registered office	5th Floor Old Mutual Place 2 Lambeth Hill London EC4V 4GG Telephone 020 7002 7000 Website www.oldmutual.com Registered in England No 01011754

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2009

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The company acts as a management service company, providing property and IT related services to fellow group companies and external parties

Turnover for the year was £16,972,000 (2008 £16,928,000)

The loss for the year, after taxation, amounted to £189,000 (2008 profit £131,000) The directors anticipate that the company will trade satisfactorily for the foreseeable future

The directors do not recommend the payment of a dividend (2008 Nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the company are considered to arise from its ability to continue to provide property and IT services and the management of employees and all HR related matters

KEY PERFORMANCE INDICATORS ("KPIs")

The company's directors are of the opinion that the KPIs for the company are best represented by the results set out in the income statement on page 6 and the employee information note set out on page 15

DIRECTORS

The directors of the company during the year were as follows

N A Bicket	(resigned 30 September 2009)
K Murray	(appointed 30 September 2009)
M C Murray	

Certain directors benefited from qualifying third party indemnity provisions in place during the year and at the date of this report

EMPLOYEE POLICIES

The company considers that its employees are its most valuable resource, without whose commitment it would not achieve its objectives

The ultimate parent company operates a savings-related share option scheme, which was introduced from 2000, and also an executive share option scheme which seeks to provide incentives to senior employees of this company by offering them the opportunity to share in the success of the Old Mutual group. Appropriate performance targets have been set up which must be achieved before options granted under the latter scheme may be exercised. The ultimate parent company also grants restricted share awards to selected senior employees of this company.

The company is committed to providing equal opportunities for all, irrespective of sex, ethnic origin, religious beliefs, disabilities, age or sexual orientation. The Board's aim is to encourage and assist in the employment, training, promotion and personal and career development of disabled people. The company gives proper consideration to applications for employment when they are received from disabled people.

DIRECTORS' REPORT (CONTINUED)

SUPPLIER PAYMENT POLICY

The company's principal supplier is a fellow subsidiary undertaking as disclosed on page 17. An average creditor payment period has therefore not been calculated.

DISCLOSURE OF INFORMATION TO AUDITORS

In preparing these financial statements, each of the directors in office at the date of approval confirm the following:

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

AUDITORS

Pursuant to an Elective Resolution of the Company passed on 5 July 2007, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the Board



P Forsythe
Secretary

9/9/2010

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

The directors are responsible for preparing 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 IFRS 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 judgements 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 AUDITORS' REPORT TO THE MEMBERS OF OMFS CENTRAL SERVICES LIMITED

We have audited the financial statements of OMFS Central Services Limited for the year ended 31 December 2009 which comprise the income statement, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its loss 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Robert Lewis 9 September 2010

Robert Lewis (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

INCOME STATEMENT

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Revenue		16,972	16,928
Administrative expenses	5	<u>(17,006)</u>	<u>(16,827)</u>
(LOSS)/PROFIT BEFORE TAX		(34)	101
Tax (charge)/credit	8	(155)	30
(LOSS)/PROFIT AFTER TAX		<u>(189)</u>	<u>131</u>

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

A separate statement of comprehensive income has not been included as there are no items of other comprehensive income, and therefore, no difference to the income statement result would be shown

The notes on pages 10 to 20 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Share capital £'000	Share based payment reserve £'000	Retained losses £'000	Total equity holders' funds £'000
Balance at 1 January 2008	-	103	(4,678)	(4,575)
Share based payments	-	35	-	35
Profit for the year	-	-	131	131
Balance at 1 January 2009	-	138	(4,547)	(4,409)
Share based payments	-	47	-	47
Loss for the year	-	-	(189)	(189)
Balance at 31 December 2009	-	185	(4,736)	(4,551)

STATEMENT OF FINANCIAL POSITION

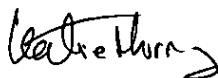
as at 31 December 2009

	Notes	2009 £'000	2008 £'000
CURRENT ASSETS			
Trade and other receivables	9	3,491	5,518
Total assets		<u>3,491</u>	<u>5,518</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	-	-
Share based payment reserve	15	185	138
Retained losses		<u>(4,736)</u>	<u>(4,547)</u>
Total equity attributable to equity holders		<u>(4,551)</u>	<u>(4,409)</u>
CURRENT LIABILITIES			
Trade and other payables	10	8,042	9,927
Total liabilities		<u>8,042</u>	<u>9,927</u>
Total equity and liabilities		<u>3,491</u>	<u>5,518</u>

Approved by the board of directors on 9 September 2010 and signed on its behalf by



M C Murray
Director



K Murray
Director

Company registered number 01011754

STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	2009 £'000	2008 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the year	(34)	101
Adjustments for		
Equity settled share-based payment expenses	47	35
Decrease/(increase) in trade and other receivables	2,028	(2,504)
(Decrease)/increase in trade and other payables	(2,041)	2,368
Net cash from/(used in) operating activities	-	-
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

The company has no bank account and all receipts and payments are made by Skandia Life Business Services Limited, a fellow subsidiary

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

1 GENERAL INFORMATION

OMFS Central Services 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 directors' report.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Up to and including 31 December 2008 the company prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). With effect from 1 January 2009 the EU required all listed companies to prepare their financial statements under International Financial Reporting Standards (IFRS) as adopted for use in the EU. Whilst the company is not itself listed, it is a member of the Old Mutual worldwide group which is listed on the London Stock Exchange and it has elected to prepare its financial statements under IFRS adopted for use in the EU with 1 January 2009 being the date of transition.

Transition to IFRS

Other than changing the names of the primary financial statements there were no other impacts on the transition from UK GAAP to IFRS. This reflects the simple nature of the company's operations as a service company to the Old Mutual Group. As a result of the absence of any impact on either the income statement or statement of financial position on the transition to IFRS a reconciliation statement from UK GAAP to IFRS has not been prepared as it was considered unnecessary.

3. 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 (IFRS) as adopted by the EU. The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments, have been prepared in sterling and are rounded into thousands. These are the company's first financial statements prepared in accordance with IFRS. The disclosures required by IFRS 1 concerning transition from UK GAAP to IFRS are provided in note 2 'Adoption of International Financial Reporting Standards'.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £4,551,000 which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Old Mutual plc, the company's ultimate parent undertaking. Old Mutual plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In these financial statements the following IFRSs which are effective for the first time (effective 1 January 2009), have been implemented

- Amendments to IAS 1 'Presentation of Financial Statements'
- Amendment to IFRS 7 'Improving Disclosures about Financial Instruments' The amendments only change presentation and disclosures within the financial statements

Future amendments not early adopted in the 2009 annual financial statements

At the date of the authorisation of these financial statements the following standards, amendments to standards, and interpretations, which are relevant to the company, were issued but not yet effective and have not been early adopted in these financial statements

IAS 32 'Financial Instruments Presentation' (amendment in respect of accounting for rights issues, effective 1 February 2010)

The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the company. The amendment is not expected to have an impact on the company's financial statements

IFRS 9 'Financial Instruments' (effective 1 January 2013)

This is a new standard on financial instruments that will eventually replace IAS 39. The published standard introduces changes to the current IAS 39 rules for classification and measurement of financial assets. Under IFRS 9 there will be two measurement bases for financial assets, amortised cost and fair value. Financial assets at fair value will be recorded at fair value through the income statement with a limited opportunity to record changes in fair value of certain equity instruments through other comprehensive income. Financial liabilities are excluded from the scope of the standard. The standard has yet to be endorsed by the European Union.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 January 2011)

IFRIC 19 clarifies the treatment of transactions whereby equity instruments are issued in order to extinguish all or part of a financial liability. IFRIC 19, which has not yet been endorsed by the EU, is not expected to have any impact on the company's annual financial statements.

The above amendments will predominantly require changes in disclosure and presentation, and are not expected to result in changes to the company's recognition and measurement accounting policies.

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

Trade and other receivables

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

Trade and other receivables do not carry any interest and are carried at their amortised cost using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other payables

Trade and other payables are not interest bearing and are stated at their amortised cost using the effective interest method which is not materially different to cost and approximates to fair value

Revenue recognition

Turnover comprises rental income and service recharges, which are recognised in the income statement on an accruals basis, net of value added tax

Expense recognition

All expenses are recognised in the income statement as incurred

Pensions and other post-retirement benefits

The company has contributed to defined contribution schemes in respect of the majority of its employees. The pension costs for these funds are charged directly to the income statement in the accounting period in which they are incurred. The defined contribution schemes have assets which are held separately from those of the companies involved, and are independently administered. The company has also contributed to defined benefit schemes for certain employees of the company and certain former employees of OMFS (APS) Limited, OMFS Company 1 Limited and OMFS Company 9 Limited. For the defined benefit schemes actuarial valuations are undertaken on a regular basis. Note 6 of the accounts provides further information in relation to the defined benefit arrangements.

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 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 differences to the extent that it is probable that taxable profit will be available against which the deductible temporary 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 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

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

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

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

4. FINANCIAL INSTRUMENTS RISK

Risk management framework

OMFS Central Services Limited has adopted the enterprise risk management framework of Old Mutual plc.

The enterprise risk management framework for the company is articulated by reference to three key areas:

- Culture, leadership and setting the right tone,
- Risk identification and the management cycle, and
- The demonstration of our effective risk management by outcomes evidenced through reports and analysis.

Culture, leadership and tone comprise the following components:

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

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

Demonstration of the effectiveness of risk management is evidenced through:

- Analysis of progress against plans using key performance indicators and key risk indicators, and
- Regular reports on risks and issues.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

The material risks faced by the company are described below

Credit risk

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

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

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

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

The company has no significant concentration of credit risk

Market risk

OMFS Central Services Limited does not have material exposure to market risk. Market risk arises from movements in the following variables

(i) Interest rate risk

The company is not exposed to any interest rate risk

(ii) Currency risk

The company is not exposed to currency risk

Liquidity risk

The company is exposed to minimal liquidity risk as it is financed via intergroup loans. There are no external borrowings

Risk and Capital Management

The Old Mutual group capital management policy sets out the key considerations and restrictions with regard to the amounts of capital that is retained by each entity within the group

Historically OMFS Central Services Limited has required a modest capital base. This is because for the majority of the business, the company has limited risk by virtue of the fact that costs incurred are recharged to fellow subsidiaries either on a cost or cost plus basis

In the event of the company incurring losses resulting in erosion of its capital base or requiring funding for assets that it will not be able to immediately recover from other group entities in the form of management charges, it is supported financially by its immediate parent Old Mutual UK Holdings Limited in the form of loans

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

5. ADMINISTRATIVE EXPENSES

	2009 £'000	2008 £'000
Administrative expenses	<u>17,006</u>	<u>16,827</u>
Administrative expenses include		
Auditors' remuneration - audit services paid to KPMG Audit Plc	<u>5</u>	<u>5</u>

Auditors' remuneration for audit services consists of fees in respect of the statutory audit

6 EMPLOYEE BENEFITS

	2009 £'000	2008 £'000
The following costs are included within administrative expenses		
Wages and salaries	2,145	2,698
Share based payments (See note 15)	63	35
Social security costs	231	226
Other pension costs	<u>161</u>	<u>174</u>
	<u>2,600</u>	<u>3,133</u>

The average number of persons employed by the company for the year ended 31 December 2009 is analysed below

	2009	2008
Information technology	18	19
Facilities and hospitality	<u>19</u>	<u>20</u>
	<u>37</u>	<u>39</u>

All employees were involved in the administration of the group's activities in the current and prior year

The employees of OMFS Central Services Limited are members of a number of different pension schemes operated across the Old Mutual group in the UK. These schemes have been designed and administered in accordance with UK practices and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Not all employees are members of a pension scheme.

The pension costs shown above are the company's contributions into defined contribution pension plans.

There is no liability for the defined benefit pension schemes within the company and the schemes are funded by and accounted for in other group entities.

The details of pension schemes, including the costs borne by Group and the latest actuarial valuations, are disclosed in the accounts of Old Mutual plc.

7. REMUNERATION OF KEY MANAGEMENT PERSONNEL

All directors are employed by and receive their emoluments from Old Mutual Business Services Limited, a fellow group undertaking. The directors holding office during the period ended 31 December 2009 consider that their services to the company are incidental to their other duties within the Old Mutual group and accordingly no remuneration has been apportioned to this company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

8. TAX EXPENSE

	2009 £'000	2008 £'000
UK corporation tax on profit for the year	68	(15)
Adjustment in respect of prior years	87	(15)
Tax charge/(credit) for the year	<u>155</u>	<u>(30)</u>

The total charge/(credit) for the year can be reconciled to the accounting profit as follows

(Loss)/profit before tax	(34)	101
Tax based on (loss)/profit at the applicable rate 28% (2008 28.5%)	(10)	29
Effects of		
Expenses not deductible for tax purposes	14	15
Depreciation for period in excess of/(less than) capital allowances	72	(137)
(Decrease)/increase in unprovided deferred tax	(8)	78
Adjustment in respect of prior years	87	(15)
	<u>155</u>	<u>(30)</u>

The company has unrecognised deferred tax assets of £724,000 (2008 £502,000) in respect of capital allowances and £nil (2008 £44,000) in respect of other timing differences

9. TRADE AND OTHER RECEIVABLES

	2009 £'000	2008 £'000
Amount due from group undertakings	2,502	4,492
Other debtors	971	839
Prepayments	18	157
Tax recoverable	-	30
	<u>3,491</u>	<u>5,518</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

10. TRADE AND OTHER PAYABLES

	2009 £'000	2008 £'000
Amounts due to group undertakings	7,338	9,101
Other creditors	55	131
Accruals and deferred income	523	695
Tax payable	126	-
	<u>8,042</u>	<u>9,927</u>

11 SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised:		
100 ordinary shares of £1 each (2008 100)	<u>-</u>	<u>-</u>
Allotted, called up and fully paid:		
100 ordinary shares of £1 each (2008 100)	<u>-</u>	<u>-</u>

12. CAPITAL COMMITMENTS

There are no material capital commitments as at 31 December 2009 (2008 £nil)

13. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2009 (2008 £nil)

14. RELATED PARTY TRANSACTIONS

The following transactions were entered into with related parties during the year

	2009 £'000	2008 £'000
Rent paid to fellow group undertakings	9,660	9,660
Fellow subsidiaries - management services	<u>108</u>	<u>84</u>

Management services in the current year are provided by Skandia Life Business Services Limited, a fellow subsidiary undertaking. Skandia Life Business Services Limited charges a management fee for costs incurred and services provided. This management fee is charged at a mark up.

Amounts due from or to group undertakings at the statement of financial position date are included in notes 9 and 10 respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

15. SHARE BASED PAYMENTS

The recognition and measurement principles in IFRS 2 have only been applied to equity settled share arrangements granted post November 2002 in accordance with the transitional provisions in IFRS 2. Any options forfeited, exercised or lapsed prior to the IFRS 2 implementation date of 1 January 2005 have not been included in the IFRS 2 valuation.

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

Share options are granted under a service and non-market based performance condition. Such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share options grants.

The grant date for the UK Share Option and Deferred Delivery plan (which is now closed to new awards) and the Old Mutual plc Share Reward Plan annual awards is deemed to be 1 January in the year prior to the date of issue. As such the Company is required to estimate at the reporting date, the number and fair value of the options that will be granted in the following year.

The purpose of the UK Restricted Share Plan (which is now closed to new awards) and the Old Mutual plc Share Reward Plan is (i) to assist in the recruitment of key individuals by making awards of shares, restricted for three or more years, which lapse on prior termination of employment unless special circumstances apply, and (ii) to support retention of key talent by contingent share awards that form the deferred element of an annual incentive award, based on performance evaluation or the prior year. Shares held under award cannot be sold, transferred, pledged, assigned, or otherwise disposed of prior to vesting, except on death and the awards would lapse on any attempt to do so.

Old Mutual share based payment schemes

During the year ended 31 December 2009, the company had the following share-based payment arrangements:

Type of arrangement	Description of award	Contractual life	Vesting conditions	Settlement treatment
UK Sharesave Scheme	Options over Old Mutual plc shares listed on the London Stock Exchange (LSE)	Exercise period ends within six months of vesting	Service over either a three or five year period	Equity settled
UK Share Option and Deferred Delivery Plan	Options over Old Mutual plc shares listed on the LSE	Six years	Three years' service and achievement of corporate performance targets	Equity settled
UK Restricted Share Plan & the Old Mutual plc Share Reward Plan - Restricted Shares	Old Mutual plc restricted shares listed on the LSE. Employees are entitled to dividend payments throughout the vesting period.	Three years	Three years' service	Equity settled

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

15. SHARE BASED PAYMENTS (CONTINUED)

Options over shares in Old Mutual plc

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2009	2009	2008	2008
Outstanding at 1 January	151,969	£1 15	120,601	£1 25
Granted during the year	266,488	£0 35	98,860	£0 95
Forfeited during the year	(80,117)	£0 99	(40,117)	£1 36
Exercised during the year	-	-	(27,375)	£0 60
Expired during the year	-	-	-	-
Other transfers during the year	(3,000)	-	-	-
Outstanding at 31 December	<u>335,340</u>	<u>£0 54</u>	<u>151,969</u>	<u>£1 15</u>
Exercisable at 31 December	19,329	£1 09	20,800	£1 01

Restricted shares

UK restricted share plan	Year	Number granted	Weighted average
	2009	-	-
	2008	9,467	£1 23

UK Share Reward Plan - Restricted Shares	Year	Number granted	Weighted average
	2009	15,097	£0 54
	2008	-	-

The following describes the option pricing inputs used for options granted by the company during the year 2009

		Number of options granted	Fair value at measurement date	Share price	Exercise price
UK sharesave scheme	2009	266,488	£0 16	£0 44	£0 35
	2008	83,088	£0 26	£1 18	£0 90
UK share option and deferred delivery plan	2009	-	-	-	-
	2008	15,772	£0 22	£1 23	£1 23

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

15. SHARE BASED PAYMENTS (CONTINUED)

		Expected volatility	Expected life	Expected dividends	Risk free interest rate
UK sharesave scheme	2009	58.4%	3.0 yrs	-	1.9%
	2008	27.1%	3.3 yrs	5.9%	4.0%
UK share option and deferred delivery plan	2009	-	-	-	-
	2008	29.3%	5.0 yrs	5.6%	4.1%

16. ULTIMATE PARENT COMPANY

The company's immediate parent is Old Mutual UK Holdings Limited, a company registered in England & Wales

The company's financial statements are consolidated within the financial statements of Old Mutual plc, the ultimate holding company, incorporated in England & Wales. The financial statements are available from

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