Registered in England and Wales No. 02019022

OMFS (GGP) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2018

CONTENTS

COMPANY INFORMATION

DIRECTORS

D J L Eardley
K S Lee-Crossett
M O Satchel

SECRETARY

Quilter CoSec Services Limited (formerly OMW CoSec Services Limited)

BANKER

National Westminster Bank Plc
68 Above Bar Street
Southampton
SO14 7DS

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED OFFICE AND BUSINESS ADDRESS

Millennium Bridge House
2 Lambeth Hill
London
EC4V 4GG

Registered in England & Wales
No. 02019022

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2018.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES
OMFS (GGP) Limited (the 'company') forms part of the Quilter plc group (the 'group'). Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc acts as the parent company and provides the company with strategic and governance oversight. The company forms part of the head office function of Quilter plc.

The principal activity of the company is that of a holding company and the administration of the healthcare obligations provided to the retirees of the Gerrard & National business which was sold by OMFS (GGP) in 2002. This will continue for the foreseeable future.

The company also previously held the Gerrard & National defined benefit pension scheme, which was bought out by Legal & General Assurance Society Limited in 2017. See note 17 for further details.

The results of the company for the period are set out in the income statement on page 7.

KEY PERFORMANCE INDICATORS (KPIs)
The company's principal KPI in respect of the statement of financial position is net assets as disclosed below.

FINANCIAL POSITION AT THE END OF THE YEAR
The company's total net assets have decreased from £ 570,349,000 to £ 564,874,000 with cash and cash equivalents decreasing from £ 18,672,000 to £ 10,685,000.

During the year the company reduced its share capital by £10,000,000, with a corresponding increase in net retained earnings.

EVENTS AFTER THE REPORTING DATE
On the 18 September 2019, the board of OMFS (GGP) Limited approved a dividend payment of £8,000,000 to its immediate parent and majority shareholder Skandia UK Limited, and a dividend payment of £900,000 to its minority shareholder Old Mutual Financial Services (UK) Limited, to be paid by the end of September 2019.

PRINCIPAL RISKS AND UNCERTAINTIES
The principal risks and uncertainties affecting the company arise from the orderly administration of the outstanding obligations in respect of the healthcare scheme covering retirees of former group companies.

As a UK based financial services group, the implications and economic impact of several scenarios of the UK leaving the EU in relation to financial services will influence the degree to which these risks act upon Quilter, particularly with regards to strategy, market, legal & regulatory, and third party risks.

By order of the board

M O Satchel
Director
25 September 2019

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2018.

The review of the business, including future outlook 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 and to date are listed below:

C R Campbell	(resigned 31 January 2018)
R H Coxon	(resigned 31 January 2018)
D J L Eardley	(appointed 31 January 2018)
K S Lee-Crossett	(appointed 31 January 2018)
I A Pearce	(resigned 31 January 2018)
M O Satchel	(appointed 31 January 2018)

All directors are employed by, and receive their emoluments from fellow group undertakings. The directors holding office during the year ended 31 December 2018 consider that their services to the company are incidental to their other duties within the group and accordingly no remuneration has been apportioned to this company.

P Forsythe resigned as company secretary on 31 January 2018 and OMW CoSec Services Limited was appointed as company secretary on 31 January 2018.

DIVIDENDS

During the year, dividends totalling £13,949,000 were declared and paid (2017: £38,750,000).

EMPLOYEES

The company had no employees during or at the end of the year (2017: nil).

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the company are disclosed in note 1.

POLITICAL DONATIONS

During the year, the company made no political donations (2017: £nil).

EVENTS AFTER THE REPORTING DATE

On the 18 September 2019, the board of OMFS (GGP) Limited approved a dividend payment of £8,000,000 to its immediate parent and majority shareholder Skandia UK Limited, and a dividend payment of £900,000 to its minority shareholder Old Mutual Financial Services (UK) Limited, to be paid by the end of September 2019.

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 approval of these financial statements.

ULTIMATE PARENT COMPANY

The company's immediate parent is Skandia UK Limited, a company registered in England & Wales. The current ultimate parent is Quilter plc; up until 31 January 2018 the ultimate parent was Old Mutual plc. The company's financial statements are consolidated within the financial statements of Quilter plc, the ultimate parent company and controlling party, registered in England & Wales.

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.

AUDITOR

KPMG LLP have confirmed their willingness to continue of 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

M O Satchel
Director
25 September 2019

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 judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OMFS (GGP) LIMITED

Opinion
We have audited the financial statements of OMFS (GGP) Limited for the year ended 31 December 2018 which comprise the *income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, statement* of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment *and the company's future prospects and performance.*

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion, the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

Thomas Tyler

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

25 September 2019

INCOME STATEMENT
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
REVENUE			
Financial income	2	10,729	10,739
		10,729	10,739
OTHER INCOME			
Profit on sale of investments in subsidiaries	3	-	57,867
Other income		-	6
		-	57,873
EXPENSES			
Administrative expenses	4	(925)	306
PROFIT BEFORE TAXATION		9,804	68,918
Taxation	5	(1,330)	3,841
PROFIT FOR THE YEAR		8,474	72,759

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

The notes on pages 12 to 22 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018	2017
	£000	£000
PROFIT FOR THE YEAR	8,474	72,759
Actuarial loss on defined benefit plan	-	(34,700)
TOTAL COMPREHENSIVE PROFIT	8,474	38,059

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

The result for the current and prior year is attributable to the equity holder of the company.

The notes on pages 12 to 22 are an integral part of these financial statements.

OMFS (GGP) Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2018	141,732	416,698	6,300	5,619	570,349
Total comprehensive income for the year					
Profit for the financial year	-	-	-	8,474	8,474
Transactions with owner, recorded directly in equity					
Share capital reduction	-	(10,000)	-	10,000	-
Dividends paid	-	-	-	(13,949)	(13,949)
Balance at 31 December 2018	141,732	406,698	6,300	10,144	564,874

	Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2017	143,732	426,698	4,300	4,310	579,040
Total comprehensive income for the year					
Profit for the financial year	-	-	-	72,759	72,759
Actuarial loss on defined benefit plan	-	-	-	(34,700)	(34,700)
Transactions with owner, recorded directly in equity					
Share capital reduction	-	(10,000)	-	10,000	-
Redemption of capital	(2,000)	-	2,000	(8,000)	(8,000)
Dividends paid	-	-	-	(38,750)	(38,750)
Balance at 31 December 2017	141,732	416,698	6,300	5,619	570,349

STATEMENT OF FINANCIAL POSITION
at 31 December 2018

	Notes	2018 £000	2017 £000
ASSETS			
Investments	7	302	298
Loans and advances	9	742,000	739,298
Other receivables	10	614	-
Cash and cash equivalents	11	10,685	18,672
TOTAL ASSETS		753,601	758,268
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15	141,732	141,732
Capital redemption reserve		6,300	6,300
Share premium		406,698	416,698
Retained earnings		10,144	5,619
TOTAL EQUITY		564,874	570,349
LIABILITIES			
Amounts due to group undertakings	12	185,087	185,087
Other payables	13	302	298
Provisions for liabilities and charges	14	3,338	2,534
TOTAL LIABILITIES		188,727	187,919

The notes on pages 12 to 22 are an integral part of these financial statements.

Approved by the board of directors on 25 September 2019 and signed on its behalf by:

M O Satchel
Director

Company registration No. 02019022

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	2018 £000	2017 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,804	68,918
Adjustments for non-cash:		
Interest income	(10,729)	-
Non-cash element of provision	(131)	-
Loss on sale of subsidiary undertakings	-	(57,867)
Non-cash movements in profit before taxation	(10,860)	(57,867)
Changes in working capital	936	50,409
Taxation (paid)/received	(1,520)	3,841
Net cash flow (used in)/from operating activities	(1,640)	54,250
Interest received	7,602	-
Net cash flow from investing activities	7,602	-
Dividends paid	(13,949)	(38,750)
Redemption of capital	-	(8,000)
Net cash flow used in financing activities	(13,949)	(46,750)
Net (decrease)/increase in cash and cash equivalents	(7,987)	18,551
Cash and cash equivalents at the beginning of the year	18,672	121
Cash and cash equivalents at end of the year	10,685	18,672

1 ACCOUNTING POLICIES

OMFS (GGP) Limited ('the company') is a limited company incorporated in England and 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.

Basis of preparation
The financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and in accordance with IFRSs 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.

The financial statements have been prepared under the 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 have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months form the date of approving these accounts.

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

Standards, amendments to standards, and interpretations adopted in the 2018 annual financial statements

The company adopted IFRS 9 *Financial Instruments* for the first time in 2018. Although a significant standard, it did not have a material impact on the company. The majority of the company's financial assets and liabilities continue to be measured at amortised cost after the implementation of IFRS 9. In addition, *IFRS 15 Revenue from Contracts with Customers*, issued by the IASB and endorsed by the EU, has been adopted by the company from 1 January 2018 with no material impact on the company's results, financial position or disclosures.

Future standards, amendments to standards, and interpretations not early-adopted in the 2018 annual financial statements

At the date of authorisation of these financial statements, the following standards have been issued by the International Accounting Standards Board, and are expected to be either not relevant or not applicable to the company;

IFRS 16 leases (endorsed by the European Union)
IFRS 17 Insurance Contracts (yet to be endorsed by the European Union)

IFRIC 23 Uncertainty over income tax treatments
The IASB issued IFRIC 23 Uncertainty over Income Tax Treatments in June 2017. This interpretation sets out how to determine taxable profits/losses, tax bases, unused tax losses, unused tax credits and tax rates (collectively referred to as 'accounting tax position') where there is uncertainty over treatment. The company has carried out a review and concluded that existing tax provisions are calculated consistent with IFRIC23 interpretation so does not expect any impact when IFRIC23 is formally adopted for accounting periods beginning 1 January 2019.

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

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

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

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

Subsequent measurement
Under IFRS 9, the classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which two are applicable to the company: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding on specified dates.

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

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

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVTPL because this best reflects the way they are managed.

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

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

All cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effect interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents approximates to their fair value.

Loans and advances
Loans to/from group companies are initially recorded at fair value 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.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Other financial liabilities are measured at amortised cost using the effective interest method.

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

Impairment of financial assets
IFRS 9 introduces an expected loss accounting model for credit losses that differs significantly from the incurred loss model under IAS 39 and results in earlier recognition of credit losses.

The new impairment model applies to financial assets measured at amortised cost. Financial assets at amortised cost include receivables, loans and cash and cash equivalents.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage expected credit loss (ECL) impairment model:

Performing financial assets:
Stage 1
From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date (12-month ECL).

Stage 2
Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset (Lifetime ECL).

The assessment of whether there has been a significant increase in credit risk requires considerable judgment, based on the lifetime probability of default (PD). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

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

Application of the new impairment model
The company applies IFRS 9's new ECL model to three main types of financial assets that are measured at amortised cost:
- Receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Cash and loans at amortised cost, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

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

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

The adoption of IFRS 9's ECL model has no impact on the company's opening retained earnings at 1 January 2018.

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

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

Critical accounting estimates and judgements
The preparation of financial statements requires management to exercise judgement in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

The areas where judgements and estimates have the most significant effect on the amounts recognised in these financial statements are summarised below:

Area	Critical accounting judgements	Note
Provisions – recognition	In assessing whether a provision should be recognised, the company evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. The provision is in respect of healthcare cover obligations provided to retirees of the Gerrard & National business for whom a legacy benefit of private medical insurance cover is still in existence.	14

Area	Critical accounting estimates	Note
Provisions – measurement	The provision has been determined with regards to forecast premiums and claims costs. The provision will be utilised over the remaining lives of the retirees. The key assumptions in respect of determining the present value of the healthcare provision are the discount rate and the future premium inflation rate. Management settled upon using 1.37% for the discount rate and 8% for premium inflation.	14

A sensitivity analysis has been undertaken in respect of these assumptions and these are provided in the table below:

Assumption	Change in estimate	Change in provision
Discount rate	+/- 1%	+ £0.5 / -£0.4 million
Premium inflation rate	+/- 2%	+ £1.0 /- £0.7 million

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under the company's insurance arrangements, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision is made for the expected future obligations of the healthcare cover provided to retirees of the GNI group for whom a legacy benefit of private medical insurance cover is still in existence. The provision has been determined in respect of forecast premiums and claim costs. The provision will be utilised over the remaining lives of the retirees.

Pensions and other post-retirement benefits

The company had contributed to a defined benefit scheme for certain of its former employees. For the defined benefit scheme, actuarial valuations were undertaken annually. Note 14 to the financial statements provides further information in relation to the defined benefit arrangements.

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the year, using the 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 reported and tax values of assets and liabilities. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax liabilities are not discounted.

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

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

Risk management framework
The company has adopted the Quilter Group Enterprise Risk Management (ERM) framework which comprises core components such as:
- the corporate governance arrangements which set out the way that the organisation is structured and managed;
- a set of Strategic Risk Appetite Principles that provide guidance on our attitude toward key areas of risk and support;
- the on-going management and oversight of risk;
- the processes involved in the identification, measurement, assessment, management and monitoring of risk, including assignment of risk owners and risk reporting;
- the culture and behaviour that is exhibited and the associated reward mechanisms.

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

The company's risk appetite is the amount of risk it is willing to take on in the pursuit of its strategic priorities and is defined by the board. Culturally, it sets the tone regarding our attitude towards risk-taking. Risk appetite also plays a central role in informing decision making across the business; protecting and enhancing the return on capital invested.

To support the strategic decision making process the company applies risk preferences which provide guidelines for striking the appropriate balance of risk and reward when setting the business strategy.

A set of strategic risk appetite principles has been set by the Quilter plc board and adopted by the company. These principles provide the top-of-the-house guidance on the attitude toward key areas of risk for the group and support the on-going management and oversight of risk. The business position against these principles is measured on a regular basis.

These principles are communicated and applied to all employees through a series of more granular risk appetite statements. Quilter's risk culture is defined as the system of values and behaviours embedded in the group that shapes risk decisions and measures, policies and standards and key risk indicators.

The risk culture is defined by the following principles:
- Responsibility and accountability for risk management is clearly assigned throughout the organisation with the aim of fostering an open and transparent organisational culture that encourages the right behaviours;
- The company creates a climate for the 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 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.

Operational risk
The company defines operational risk as the risk of failure of people, processes, systems or external events which results in financial loss, damage to brand/reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes all risks resulting from operational activities which the company undertakes excluding strategic risks and risks resulting from being part of a wider group of companies. There is no material exposure for the company.

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 of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency.

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

The company is subject to market risk in the following areas:

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 the group's Market Risk Policy.

The company is exposed to limited interest rate risk except in respect of loans to and from group undertakings.

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 can secure them only at excessive cost.

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.

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.

An increase in interest rate of 1% would have increased profit and shareholders equity by £6,010,000 (2017: increase £5,970,000) after tax; an equal change in the opposite direction would have decreased profit by £5,875,000 (2017: decrease £5,862,000) after tax. The reduction in profit would however be limited to the amount of interest received.

2 FINANCIAL INCOME

	2018 £000	2017 £000
Interest receivable from previous ultimate parent (see note 16)	-	399
Interest receivable from fellow group undertaking (see note 16)	-	1,118
Interest receivable from parent undertaking (see note 16)	10,729	9,222
	10,729	10,739

3 PROFIT ON SALE OF SHARES IN SUBSIDIARIES

On 15 September 2017, the company sold its investment in Old Mutual Business Services Limited to Old Mutual plc, for consideration of £58,067,000. The company recorded a profit of £57,867,000 on this transaction.

4 ADMINISTRATIVE EXPENSES

	2018 £000	2017 £000
Post-employment benefit provision released during the year	-	(423)
Post-retirement healthcare provision increased during the year	935	116
Other expenses	(10)	1
	925	(306)

Audit remuneration paid to KPMG, approximately £ 8,802 (2017: £ 15,038), is borne by Old Mutual Wealth Business Services Limited, a fellow group company.

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

5 TAXATION

	2018 £000	2017 £000
Current year corporation tax	1,330	(3,841)
Tax charge/(credit) for the year	1,330	(3,841)

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

	2018 £000	2017 £000
Profit before taxation	9,804	68,918
Tax on profit at the applicable tax rate 19% (2017: 19.25%)	1,863	13,267
Effect of:		
Non-taxable income	-	(11,139)
Other short term timing differences	-	(1,233)
Transfer pricing adjustment	(425)	(129)
Adjustment to tax charge in respect of previous period	-	(3,841)
Group relief for which payment will not be made	-	(766)
Utilisation of previously unrecognised deferred tax	(108)	-
	1,330	(3,841)

The main rate of corporation tax reduced from 20% to 19% with effect from 1 April 2017. It will reduce further to 17% with effect from 1 April 2020.

6 DIVIDENDS

	2018 £000	2017 £000
Dividends paid		
Dividend paid to OM Group (UK) Limited (6.84p per share)	-	33,538
Dividend paid to Old Mutual Financial Services (UK) Limited (6.84p per share)	-	5,212
Dividend paid to Skandia UK Limited (1.39p per share)	7,110	-
Dividend paid to Old Mutual Financial Services (UK) Limited (1.39p per share)	756	-
Dividend paid to Skandia UK Limited (1.07p per share)	5,499	-
Dividend paid to Old Mutual Financial Services (UK) Limited (1.07p per share)	584	-
	13,949	38,750

7 INVESTMENTS

	2018 £000	2017 £000
Investments held at fair value through profit and loss		
At 1 January	298	295
Unrealised gains on investments	4	3
At 31 December	302	298

The investments represent gold and silver bullion and are categorised as level 1 investments. These investments are valued using quoted prices in active markets. There have been no transfers between level 1 and 2, or level 2 and 3, in the period.

The investments are recognised mandatorily at FVTPL.

8 INVESTMENTS IN SUBSIDIARIES

	2018 £000	2017 £000
Cost at 1 January	-	200
Accumulated impairment provision at 1 January	-	-
Net book value at 1 January	-	200
Disposals	-	(200)
Net book value at 31 December	-	-

Disposals

On 15 September 2017, the company sold its investment in Old Mutual Business Services Limited to Old Mutual plc for £58,067,000.

On 15 September 2017, the company sold its investment in Fairbairn U.K. Limited to OM Seed Investments (UK) Limited (now known as Fairbairn Investments (UK) Limited) for £1.

9 LOANS AND ADVANCES

	2018 £000	2017 £000
Lending to immediate parent company at 1.51% (see note 16)	673,129	673,129
Lending to immediate parent company at 12 month LIBOR (see note 16)	68,871	66,169
	742,000	739,298

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

All loans are repayable on demand and recognised at amortised cost.

10 OTHER RECEIVABLES

	2018 £000	2017 £000
Due from fellow group undertakings (see note 16)	189	-
Due from immediate parent (see note 16)	425	-
Other receivables	614	-

The amount relates to accrued loan interest and tax receivable, are current and recognised at amortised cost.

11 CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Bank balances	10,685	18,672

Bank balances are current and recognised at amortised cost. They are subject to a 12 month ECL, and are credit rated A.

12 AMOUNTS DUE TO GROUP UNDERTAKINGS

	2018 £000	2017 £000
Due to fellow subsidiary undertaking (see note 16)	185,087	185,087

All amounts are non-interest bearing and recallable on demand. Amounts are recognised at amortised cost.

13 OTHER PAYABLES

	2018 £000	2017 £000
Other payables	302	298
	302	298

Amounts are current and recognised at amortised cost.

14 PROVISIONS

Healthcare:	2018 £000	2017 £000
Brought forward at 1 January	2,534	2,537
Utilised during the year	(119)	(119)
Charge to the profit and loss account	935	116
Release of provision	(12)	-
Balance carried forward at 31 December	3,338	2,534

The provision is in respect of healthcare cover obligations provided to retirees of the Gerrard & National business for whom a legacy benefit of private medical insurance cover is still in existence. The provision has been determined in respect of forecast premiums and claims costs. The provision will be utilised over the remaining lives of the retirees.

(a) Buy-out of defined benefit scheme

During 2017, bulk annuity arrangements for the company's legacy defined benefit scheme, the Gerrard & National Retirement Benefit Scheme, were agreed with Legal & General Assurance Society Limited. The agreement resulted in the buy-in of the benefits of the scheme with effect from 13 June 2017. This was converted to a full buy-out and into individual annuity policies in October 2017, and the wind-up of the scheme was completed on 30 November 2017.

In order to effect the transaction, the company made a one-off contribution of £4.1 million into the scheme, which, together with writing off the existing IAS19 surplus for the scheme, resulted in a £34.7 million reduction in IFRS NAV recognised in the statement of changes in equity. The company no longer has any liability in respect of this scheme, including administration and funding.

(b) Movement in net defined benefit (asset) liability

	Defined Benefit Obligation		Fair value of plan assets		Net Defined Benefit Asset	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Balance at 1 January	-	132,200	-	(160,500)	-	(28,300)
Included in profit or loss						
Administrative expenses	-	-	-	400	-	400
Gains on settlement	-	600	-	-	-	600
Past service credit	-	(1,100)	-	-	-	(1,100)
Interest cost (income)	-	2,550	-	(2,950)	-	(400)
	-	**2,050**	**-**	**(2,550)**	**-**	**(500)**
Included in Other Comprehensive Income						
Remeasurement loss	-	-	-	34,550	-	34,550
Actuarial loss arising from:						
Financial assumptions	-	150	-	-	-	150
Experience adjustment	-	-	-	-	-	-
	-	**150**	**-**	**34,550**	**-**	**34,700**
Other						
Contributions paid by the employer	-	-	-	(5,900)	-	(5,900)
Settlement payments	-	(130,900)	-	130,900	-	-
Benefits paid	-	(3,500)	-	3,500	-	-
	-	**(134,400)**	**-**	**128,500**	**-**	**(5,900)**
Balance at 31 December	**-**	**-**	**-**	**-**	**-**	**-**

15 SHARE CAPITAL

	2018	2017
	£000	£000
Authorised:		
720,000,000 (2017: 720,000,000) ordinary shares of 25p each	180,000	180,000
Issued and fully paid:		
566,926,412 (2017: 566,926,412) ordinary shares of 25p each	141,732	141,732

On 8 December 2017, the company reduced its share premium account by £10,000,000. This resulted in an increase of £10,000,000 in distributable reserves.

On 8 December 2017, the company repurchased 8,000,000 ordinary shares of 25 pence each for a cash consideration of £8,000,000 from Old Mutual Financial Services (UK) Limited. The company also created a capital redemption reserve of £2,000,000, representing the nominal value of the shares repurchased.

16 RELATED PARTY TRANSACTIONS

Details on intragroup loans are given in note 9 and the interest thereon in note 2.

Amounts due from or to group undertakings at the reporting date are shown in notes 10, 12 and 13.

Details of other transactions with related parties are disclosed in note 3.

All current directors are employed by, and receive their emoluments from Old Mutual Wealth Business Services Limited. The directors holding office during the year ended 31 December 2018 consider that their services to the company are incidental to their other duties within the group and accordingly no remuneration has been apportioned to this company.

17 FINANCIAL INSTRUMENT RISK

The company complies with group risk policies on the key risks associated with the business. These cover the UK Prudential Regulatory Authority defined risk categories of group, credit, insurance, liquidity, operational and market risk. The policies, approved by the board of the ultimate parent, Quilter plc, are reviewed annually as part of the risk appetite assessment process. Each component risk is assigned a risk owner at director level who is responsible for the ongoing review, mitigation and execution of appropriate action plans. The company is exposed to limited liquidity, credit and market risk since the loan balances are with group companies.

18 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2018 (2017: £nil).

19 FINANCIAL AND CAPITAL COMMITMENTS

There are no material financial and capital commitments at 31 December 2018 (2017: £nil).

20 CAPITAL MANAGEMENT

Total equity attributable to the equity holder is managed as capital and there are no externally imposed capital requirements of the company. The company reviews its obligations to ensure it has sufficient capital to fulfil its purpose as a holding company.

21 EVENTS AFTER THE REPORTING DATE

On the 18 September 2019, the board of OMFS (GGP) Limited approved a dividend payment of £8,000,000 to its immediate parent and majority shareholder Skandia UK Limited, and a dividend payment of £900,000 to its minority shareholder Old Mutual Financial Services (UK) Limited, to be paid by the end of September 2019.

22 ULTIMATE PARENT COMPANY

The company's immediate parent is Skandia UK Limited, a company registered in England & Wales.

The current ultimate parent is Quilter plc; up until 31 January 2018 the ultimate parent was Old Mutual plc.

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

The Company Secretary
Quilter plc
Millennium Bridge House
2 Lambeth Hill
London
EC4V 4AJ