ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2017

Old Mutual Global Investors (UK) Limited

Registered in England No. 02949554

CONTENTS

COMPANY INFORMATION

Directors	R Buxton (Chief Executive Officer) M Dean W Tonkinson R L M Wohanka (Chairman) M O Satchel T Borain
Secretary	OMW Cosec Services Limited
Bankers	Citibank N.A London Branch Citigroup Centre 25 Canada Square London EC14 5LB
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Registered Office	Millennium Bridge House 2 Lambeth Hill London EC4P 4WR Telephone: 020 7332 7500 Website: www.oldmutual.co.uk Website: www.omglobalinvestors.com Registered in England No. 02949554

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2017.

Review of the business
Old Mutual Global Investors (UK) Limited "the Company" is part of Old Mutual plc, a FTSE 100 group, and is authorised and regulated by the Financial Conduct Authority (FCA). The company forms part of Old Mutual Global Investors, which forms part of the Old Mutual Wealth division. Old Mutual Wealth is wholly owned by Old Mutual plc. Old Mutual Wealth Management Limited acts as the holding company and delivers strategic and governance oversight.

Old Mutual Global Investors is an asset manager, working with banks, wealth managers and other intermediary partners as well as underpinning the objective of the wider Old Mutual Wealth division to be a leading investment business. The key strategic aim of the Old Mutual Global Investors business is to deliver strong investment performance through customer-focused investment solutions and Single Strategy building block funds that result in positive outcomes for its clients. Old Mutual Global Investors' reach spans key international markets including the UK, Europe, Asia, the Americas as well as South Africa and the Middle East.

In September 2016 an Italian branch was established. Regulatory approval for its operations was obtained in September 2017. There is currently one employee and the aim of the branch is to expand our distribution network in the region.

The principal activity of the Company is to act as the investment manager for the Old Mutual Global Investor Series plc fund range, and as the appointed investment advisor for all funds within the Old Mutual Global Investors group, including those funds for which fellow subsidiary Old Mutual Investment Management Limited "OMIML" is the Authorised Corporate Director and the Alternative Investment Fund Manager. The funds are organised around both geographic regions and economic sectors and include both long-only and long/short funds.

Given the strengths of both of the Multi-Asset and Single Strategy investment teams, Old Mutual Wealth believes that there is an opportunity for both to develop as separate distinct businesses.

In September 2017, Old Mutual Wealth announced:

- the creation of a dedicated Multi-Asset business led by Paul Simpson, CEO;
- OMGI, led by Richard Buxton as CEO, will focus on the Single Strategy portfolio range;
- Old Mutual Wealth would assess together with OMGI management, internal and external structures for the Single Strategy business to continue to develop it further.

On 19th December 2017, Old Mutual Wealth announced it has agreed to sell its Single Strategy asset management business to the Single Strategy management team and funds managed by TA Associates, the global growth private equity firm.

The proposed transaction is subject to customary closing conditions, including regulatory approvals, and conditions relating to the transfer of the Multi-Asset business to be retained by Old Mutual Wealth.

Future Developments
As a result of the sale, a number of the Single Strategy funds currently managed by Old Mutual Investment Management Limited will transfer to the Single Strategy business and a number of the Multi-Asset funds currently managed by Old Mutual Global Investors (UK) Limited will transfer to the Multi-Asset business during 2018. The ownership of Old Mutual Investment Management Limited will transfer from Old Mutual Global Investors Holding Limited to Old Mutual Wealth Management Limited and will no longer be part of the Old Mutual Global Investors group.

Managed Separation
We made good progress with our programme of activity as we work towards independence as part of the managed separation from Old Mutual plc. By the end of 2017, all functions had materially delivered all changes necessary to be standalone.

To ensure our organisation is fit for purpose as a listed, standalone entity, we have continued to reshape and strengthen our executive management team and our Board. We have also strengthened the boards of our principal regulated subsidiaries by increasing the level of independence on those boards, including through additional representation from the Non-Executive directors.

Brexit
There is a risk that Brexit, other political developments, or developments otherwise affecting market confidence may result in outflows of assets from investment portfolios with exposure to the UK, which could include asset portfolios managed by the Company. Due to the size and importance of the UK economy in the global economy, particularly with respect to the UK economic relationship with the EU after Brexit, there may continue to be instability in the national and international

STRATEGIC REPORT (continued)

Brexit (Continued)
financial markets, significant currency fluctuations and otherwise adverse effects on consumer confidence for the foreseeable future, including beyond the date of the UK's withdrawal from the EU.

Results and Dividends
Total funds under management increased to £16.7bn (2016:£11.3bn). This growth was primarily due to positive Net Client Cash Flow of £4.1bn (2016: £2.6bn) and positive investment performance. Net profit after tax increased to £116.8m in 2017 (2016: £40.2m) as a result of higher funds under management and increased performance fees, and in part offset by higher administrative costs required to support the increased level of activity.

During the year the Company paid dividends of £38.0m (2016: £38.5m) to its immediate parent entity Old Mutual Global Investors Holdings Limited.

Key Performance Indicators (KPIs)

Old Mutual Global Investors UK Limited	2017 £'000	2016 £'000
Net profit after tax	116,766	40,169
Net client cash flow (NCCF)	4,107,909	2,556,507
Market value of funds under management	16,696,192	11,314,552

Market value of funds under management	2017 £'000	2016 £'000
Single Strategy	16,065,448	10,803,610
Mutli-Asset	630,744	510,951
Total	16,696,192	11,314,561

NCCF and funds under management do not include those funds managed by fellow subsidiary Old Mutual Investment Management Limited.

Principal risks and uncertainties
The Company has in place an 'Enterprise Risk Management Framework Policy' including an 'Escalation Policy', which has been cascaded from Old Mutual Wealth. These policies provide frameworks for risk monitoring, management and governance. Further details on risk and capital can be found in the accounts of Old Mutual plc and on the Old Mutual plc website.

Some of the key risks relevant to the business are considered to include investment performance, adverse market conditions (including stock market volatility, interest rates and foreign exchange rates), regulatory risk and operational risks, and retention of key staff and fund managers. These risks are managed through robust, embedded governance structures, diversity of the product and client range, and through ensuring remuneration packages and culture remain competitive and attractive.

Regulatory and Operational risk is managed through forward planning, project management and Risk & Governance Committee oversight. Risks to the business are reviewed and monitored on an on-going basis by the Risk & Governance Committee and are reviewed by the Board on a quarterly basis.

Pillar 3 disclosures - the disclosures of the Company made in order to comply with the Financial Conduct Authority's rules, which implement in the UK the European Union "EU" Directives underlying the revised capital adequacy framework – are available on the Company website.

Further details of the risk management objectives and policies of the Company are disclosed in Note 3.

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2017.
The review of the business and principal risks and uncertainties are disclosed in the strategic report.

DIRECTORS

The directors of the Company throughout the year and to date were:

R Buxton (Chief Executive Officer)
M H Baines (Resigned 4 May 2017)
M Dean
J M Little (appointed 5 June 2017, resigned 9 February 2018)
W Tonkinson
R L M Wohanka (appointed 5 June 2017)
M O Satchel (appointed 9 February 2018)
T Borain (appointed 20 February 2018)

The directors do not hold material shareholdings. Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

D L Clarke resigned as company secretary on 29 September 2017 and OMW Cosec Services Limited was appointed as company secretary on 16 November 2017.

DIVIDENDS

The Company declared and paid dividends of £38.0m during the year (2016: £38.5m).

FCA REMUNERATION CODE DISCLOSURE

The Company falls within Proportionality Tier 3 (previously Tier 4) for the purposes of the FCA Remuneration Code. Under this Code, the Company is required to make certain disclosures regarding its remuneration policies and practices for those categories of staff whose professional activities have a material impact on its risk profile. These disclosures can be found on the Company's website as part of the Pillar 3 disclosure.

EMPLOYEES

The average number of persons (including Directors) employed by the Company during the year was 305 (2016: 273).

The company is committed to the development of policies to promote equal opportunities in employment for all its employees. It continues to support employees under the Equality Act by making reasonable adjustments to their work environment and the nature of their work. The Company has access to Occupational Health providers who advise it as to its obligations within the Equality Act 2010 to make reasonable adjustments to accommodate those with disabilities. These assessments are made on recruitment of an individual with a disability and also where an individual becomes disabled during employment. All career development and promotion opportunities are provided to all employees regardless of disability. In 2015 the Company mirrored its enhanced maternity policy on the introduction of shared parental leave. This supports not only women in the workplace but also families allowing fathers to take paid leave after the birth or adoption of their children. There has also been a pilot aimed at women who are about to commence their maternity leave, whereby additional support is provided to them to plan for their return to the workplace.

The company also participated in a cultural values survey and in 2017 its management and leadership training programme continued to provide a number of cultural transformation workshops for managers and specialists. During the year there were also a number of employee engagement sessions organised to explain the vision and strategic objectives for the Company.

Old Mutual Global Investors repeated its internship programme in 2017. One of the purposes of the internship programme is to provide the opportunity for young people who would not usually consider or be considered by financial services and is part of our commitment to diversity.

The company is part of Old Mutual plc and employees are eligible to participate in the group sharesave scheme. There was a campaign to raise awareness of products with favourable terms for employees in order to promote the financial security for employees that we look to offer to our customers. In addition, the employee incentive schemes link personal objectives and company objectives by involving the employees in the Company's performance.

DIRECTORS' REPORT (continued)

POLITICAL DONATIONS
No political donations were made during the year (2016: £nil).

FINANCIAL INSTRUMENTS
The financial risk management objectives and policies of the Company are disclosed in Note 3.

DISCLOSURE OF FINANCIAL INFORMATION TO AUDITOR
Each of the persons who are a director at the date of approval of this report confirms that:

- So far as the directors are 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 director in order to make themselves more aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR
KPMG LLP have expressed their willingness to continue in office as auditor in accordance with section 487 of the Companies Act 2006 and the Company's Articles of Association.

By order of the board

M Dean
Director
5 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE 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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- 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 OLD MUTUAL GLOBAL INVESTORS (UK) LIMITED

Opinion

We have audited the financial statements of Old Mutual Global Investors (UK) ("the company") for the year ended 31 December 2017 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 2.
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF OLD MUTUAL GLOBAL INVESTORS (UK) LIMITED

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.

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.

Alison Allen

Alison Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
5 March 2018

INCOME STATEMENT
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
REVENUE			
Fee income	4	347,510	179,353
Expenses recharged to group companies	5	46,251	40,192
Investment return	6	(10)	(34)
TOTAL REVENUE		**393,751**	**219,511**
EXPENSES			
Commission and rebates paid to introducers	10	(51,263)	(31,656)
Change in deferred acquisition costs	14	4,184	(678)
Administrative expenses	7	(200,875)	(136,215)
TOTAL EXPENSES		**(247,954)**	**(168,549)**
PROFIT BEFORE TAX		**145,797**	**50,962**
Taxation	11	(29,031)	(10,793)
PROFIT FOR THE YEAR		**116,766**	**40,169**

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

The notes on pages 15 to 34 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	2017 £'000	2016 £'000
PROFIT FOR THE YEAR	**116,766**	**40,169**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
All attributable to equity holders	**116,766**	**40,169**

The notes on pages 15 to 34 are an integral part of these financial statements.

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

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity holders' funds £'000
Balance at 1 January 2016	21,000	2,729	27,410	51,139
Profit for the year	-	-	40,169	40,169
Share-based payments	-	588	-	588
Dividends paid	-	-	(38,500)	(38,500)
Balance at 1 January 2017	21,000	3,317	29,079	53,396
Profit for the year	-	-	116,766	116,766
Share-based payments	-	244	-	244
Dividends paid	-	-	(38,000)	(38,000)
Balance at 31 December 2017	**21,000**	**3,561**	**107,845**	**132,406**

The notes on pages 15 to 34 are an integral part of these financial statements.

Dividend per share was £1.81 in 2017 (2016: £1.83)

Old Mutual Global Investors (UK) Limited

STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
Property, plant and equipment	12	171	381
Intangible assets	13	40	2,405
Deferred acquisition costs	14	4,378	194
Deferred tax assets	15	9,402	4,813
Investments in collective investment schemes	16	488	437
Other receivables	17	156,989	65,031
Cash and cash equivalents	18	128,693	62,922
TOTAL ASSETS		**300,161**	**136,183**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	19	21,000	21,000
Share-based payment reserve		3,561	3,317
Retained earnings		107,845	29,079
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		**132,406**	**53,396**
LIABILITIES			
Current tax liabilities		33,335	4,029
Other payables	20	134,420	78,758
TOTAL LIABILITIES		**167,755**	**82,787**
TOTAL EQUITY AND LIABILITIES		**300,161**	**136,183**

The notes on pages 15 to 34 are an integral part of these financial statements.

Approved at a meeting of the board of directors and signed on its behalf by:

M Dean
Director
5 March 2018

Company registered number: 02949554

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	2017 £'000	2016 £'000
OPERATING ACTIVITIES		
Fee income received from clients	256,015	173,824
Net recharges from fellow group companies	35,483	38,174
Commission and rebates paid to introducers	(52,610)	(28,644)
Investment adviser fees paid	(4,413)	(5,209)
Employee expenses and cash paid to service providers	(131,147)	(118,966)
Tax and group relief received/(paid)	275	(13,860)
Net cash from operating activities	**103,603**	**45,319**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13)	(271)
Purchase of intangible assets	(22)	(49)
Interest received	116	141
Investment income on managed funds	87	7
Net cash from/(used in) investing activities	**168**	**(172)**
FINANCING ACTIVITIES		
Dividends paid	(38,000)	(38,500)
Net cash used in financing activities	**(38,000)**	**(38,500)**
Net increase in cash and cash equivalents	**65,771**	**6,647**
Cash and cash equivalents at beginning of the year	62,922	56,275
Cash and cash equivalents at end of the year	**128,693**	**62,922**

The notes on pages 15 to 34 are an integral part of these financial statements.

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

1 GENERAL INFORMATION

Old Mutual Global Investors (UK) 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial statements have been prepared on a going concern basis, the historical cost basis except for the revaluation of certain financial instruments, have been prepared in sterling and are rounded into thousands.

The Company's business activities and financial risk management objectives, together with the factors likely to affect its future development, performance and position are set out in the strategic report and directors' report on pages 2 to 6.
The Company has adequate liquidity and capital. The directors perform an annual going concern review that considers, under a stress test scenario, the Company's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Standards, amendments to standards, and interpretations adopted in these annual financial statements
During the year, there were no new standards implemented that had a material effect on the financial statements of the Company.

Future standards, amendments to standards and interpretations not early-adopted in these financial statements
At the date of authorisation of these financial statements the following standards, which are relevant to the Company, have been issued by the International Accounting Standards Board.

IFRS 9 Financial Instruments
IFRS 9: Financial Instruments (IFRS 9) was issued in July 2014 and will replace IAS 39: Financial Instruments: Recognition and Measurement. The standard is effective for financial years commencing on or after 1 January 2018. The final version of this standard incorporates amendments to the classification and measurement, hedge accounting guidance, as well as the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI). These elements of the final standard, and a description of the expected impact on the Company's statement of financial position and performance, are discussed in detail below:

The company has assessed the impact of IFRS 9 and the impact is deemed to be immaterial. Any such impact will be reflected as an adjustment to opening retained earnings.

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

Financial assets are to be classified based on (i) the business model within which the financial assets are managed and (ii) the contractual cash flow characteristics of the financial assets (whether the cash flows represent 'solely payment of principal and interest'). Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cash flows and those cash flows comprise solely payments of principal and interest ('hold to collect'). Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and those contractual cash flows comprise solely payments of principal and interest ('hold to collect and sell'). Movements in the carrying amount of these financial assets should be taken through OCI, except for impairment gains

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (Continued)
or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

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

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

For equity investments that are neither held for trading nor contingent consideration, the Company may irrevocably elect to present subsequent changes in fair value of these equity investments in either (i) profit or loss (FVTPL); or (ii) other comprehensive income (FVOCI). Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity.

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

Impairment of financial assets
Under IFRS 9 impairment is determined based on an expected credit loss (ECL) model rather than the current incurred loss model required by IAS 39. The company will be required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

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

The IFRS 9 Impairment Implementation continued to progress during 2017. The following were the main areas of focus for 2017:

- Development, build and testing of impairment models with respect to financial assets held at amortised cost or FVOCI;
- Finalisation of the reporting and disclosure framework, and completion of the supporting business rules; and
- Documentation and implementation of the relevant control environment and related governance processes.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The core principle of the standard is that revenue recognised reflects the consideration to which the Company expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The standard is effective for the Company for the financial year commencing 1 January 2018. The company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of adoption will be recognised in retained earnings as of 1 January 2018.

The company performed an assessment to determine the potential impact of the new standard on the Company's statement of financial position and performance. The company considered the five-step analysis prescribed by the standard. It also took into account the different types of contracts it has with its customers, the corresponding types of services provided to customers and when these service obligations are satisfied. In addition, the Company considered the types of fee income generated across all products from the contracts with its customers and when the fee income is recognised. This impact assessment concluded that IFRS 15 will have minimal effect on the Company.

An increased level of disclosure is required by IFRS 15 which will include qualitative and quantitative information about the Company's contracts with customers, significant judgements made and changes in those judgements. IFRS 15 also introduces standard definitions and will require additional information about contract costs (previously known as Deferred Acquisition Costs from non-insurance contracts), contract assets (previously known as Accrued Income from contracts with customers), and contract liabilities (previously known as Deferred Fee Income from contracts with customers).

IFRS 16 Leases
IFRS 16 was issued in January 2016 and replaces IAS 17 Leases and its related interpretations for reporting periods beginning on or after 1 January 2019.

The company as lessee: IFRS 16 introduces a 'right of use' model whereby the lessee recognises a right-of-use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit and loss using the effective interest rate method.

The company as lessor: IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

The company is in the process of assessing the impact of IFRS 16 and which transitional approach will be used.

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

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

Critical accounting estimates and judgements
Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The area of the Company's business that typically requires such estimates are the determination of the deferred acquisition costs, and estimates of staff incentive expense accruals at year end. This is discussed in more detail in the relevant accounting policies and notes to the financial statements.

Property, plant and equipment
Items of equipment are reported at cost less accumulated depreciation and impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Fixed Asset	*Years*
Computer equipment	3
Furniture	5

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset. This gain or loss is recognised in the income statement.

Intangible assets
Purchased software and internally developed software are reported at cost less accumulated amortisation and impairment losses.

Internally developed software is amortised over its estimated useful life. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the group and its cost can be measured reliably.

Costs incurred in the product development phase are capitalised subject to meeting specific criteria set out in the relevant accounting guidance, the main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the product, which range between three and five years.

Impairment of assets
The carrying amounts of the Company's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Deferred acquisition costs
Incremental costs directly attributable to securing an investment contract are deferred. These costs consist mainly of commission paid to independent financial advisers. The costs are capitalised as deferred acquisition costs and are amortised as an expense over the directors' best estimate of the life of the contract as the services are provided.

At the end of each reporting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related business at the reporting date. An impairment loss is recognised in the income statement if the carrying amount of the deferred acquisition costs is greater than the future margins from the related business.

Investments in collective investment schemes
Investments in collective investment schemes are designated at fair value through the income statement at initial recognition and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Holdings in unit trusts are valued at quoted bid price for long positions and quoted offer price for short positions. Open Ended Investment Company ("OEIC") assets are single priced funds and are valued at the quoted net asset value per share. Any holdings in dual priced unit trusts are priced at the mid-price of the creation and cancellation prices. Purchases and sales of securities and currencies are recognised on the trade date.

Employee benefit trust
The company holds certain investments held in an employee benefit trust. In accordance with IAS 19, the assets and liabilities are included in the statement of financial position of the Company. Initial measurement of the scheme is at cost and measured at fair value basis in subsequent periods.

Other receivables
Other receivables are not interest-bearing and are stated at their cost, less appropriate allowances for estimated irrecoverable amounts. The carrying value of the assets approximates to their fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred bonus prepayment
In line with OMGI policy, a portion of employees' bonus awards are deferred and settled in future years. The calculation of these future payments is made on a banded ascending scale. These amounts are either invested in the employee benefit trust and treated as a prepaid cost, or are converted into notional shares, settled in future years on a cash basis and accrued as a liability.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with banks. The carrying amount of these assets approximates to their fair value. All cash and cash equivalent balances are repayable on demand.

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

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.

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

Performance fee income
Performance fees charged on certain funds for managing investment contracts are recognised as revenue in line with the provision of the investment management services. These services are deemed to be provided only when the performance of the fund for the period is known and has been crystallised, usually bi-annually.

Investment management and distribution fee income (including intercompany revenue)
Fees charged for managing investment contracts are recognised as revenue in line with the provision of the investment management services. These services are deemed to be provided equally over the lifetime of a contract.

Investment gains and losses
Realised investment gains and losses represent the difference between the net sales proceeds and the cost of the investment or value at the start of the year. The movement in unrealised investment gains and losses represents the difference between the carrying value of investments at the reporting date and the value at the start of the year, or the original cost where an investment is acquired during the year. The realised gains and losses and movement in unrealised gains and losses on investment arising in the year are included in the income statement under investment return.

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

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

Other costs
All expenses are recognised in the income statement on an accruals basis.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current tax (continued)

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

Deferred tax

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

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

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

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated to sterling at the year-end closing rate. Non-monetary assets denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate in effect at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate in effect at the date when the fair value was determined. Foreign exchange rate differences that arise are reported net in the income statement as foreign exchange gains/losses.

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.

Assessment of fund investments as structured entities

IFRS 12 defines a structured entity as 'an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements'.

The company has assessed whether the funds it manages are structured entities. The company has considered the voting rights and other similar rights afforded to other parties in these funds (investors and independent boards or directors), including the rights to remove the Company as fund manager, liquidate the funds, or redeem holdings in the funds (if such rights are equivalent to liquidating the funds) and has concluded as to whether these rights are the dominant factor in deciding who controls the funds.

The company has judged that its managed funds are structured entities and that it has an interest in these funds.

3 FINANCIAL INSTRUMENTS RISK AND RISK MANAGEMENT

Risk management framework
The Enterprise Risk Management (ERM) framework is defined for the Old Mutual Wealth (OMW) division of Old Mutual plc. The company has adopted the OMW ERM framework. The ERM framework comprises core components such as:

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

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

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

The RAF has three distinctive components:

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

OMW's risk culture is defined as the system of values and behaviours embedded in OMW that shapes risk decisions. OMW's risk culture is defined by the following principles:

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

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

The 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 company, including failing to meet them in a timely manner.

The Old Mutual Wealth business unit 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, and the Company has adopted this policy. The value of credit risk exposures and the credit rating of counterparties are monitored monthly.

3 FINANCIAL INSTRUMENTS RISK AND RISK MANAGEMENT (continued)

Credit risk (continued)

The Company's principal assets are cash and cash equivalents, investment management fees due from the funds it manages, and management fees due from fellow group subsidiaries.

Cash is held across a diversified list of counterparties, primarily banks, with high credit-ratings assigned by international credit rating agencies. Management fees due from managed funds are settled monthly and underpinned by assets held within those funds. Management fees due from fellow group subsidiaries are settled monthly and generally underpinned by assets held within the funds managed by those entities.

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

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. Market risk arises from fluctuations in equity prices, interest rates, and foreign exchange rates, where assets and liabilities are not precisely matched.

The Old Mutual Wealth business unit 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 financial impact of more extensive movements in market risk other than those that could reasonably be expected is examined through stress tests carried out within the Internal Capital Adequacy Assessment Process "ICAAP". Market risk arises from exposure to movements in interest rates, equity & property values and foreign exchange rates.

Market risk arises from movement in the following variables:

Interest rate risk
The Company is not directly exposed to material interest rate risk. Interest rate risk arises primarily from bank balances held which are exposed to fluctuations in interest rates. The effective interest rate applicable to interest bearing financial instruments is as follows:

	2017 Variable	2016 Variable
Assets		
Deposits with credit institutions	0.35%	0.28%

Foreign exchange rate risk
The Company has exposure to foreign exchange risk on cash balances held as well as investment management fees due from the funds it manages, however these are settled monthly. Foreign currency cash held at 31 December 2017 consists of: a debit balance of £1.0m (2016: debit £18.2m) in US dollars; a debit balance of £ 0.3m (2016: debit £0.0m) in Japanese Yen; and a debit balance of £0.7m (2016: debit £0.1m) in Euros at the reporting date.

Liquidity risk
Liquidity risk is 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.

The Old Mutual Wealth Management business unit has established a liquidity risk policy that sets out the practices that each business unit must perform to manage exposure to liquidity risk, and the Company has adopted this policy. Liquidity risk is managed on an on-going basis and reported monthly through the risk and governance committee and quarterly through the board.

Financial liabilities of the Company consist of trade payables of £135.7m (2016: £78.8m) which, excluding intercompany balances, are expected to mature within three months.

3 FINANCIAL INSTRUMENTS RISK AND RISK (continued)

Capital risk

Capital risk is the risk of insufficient capital to meet regulatory and stakeholder requirements resulting in the potential, to place constraints on the business plan/strategy, inability to absorb losses, damage to reputation and or regulatory fines and / or censure. The capital management policy sets out the key considerations and restrictions with regard to the amounts of capital that is retained.

The Company retains sufficient capital resources to meet regulatory capital requirements and to maintain working capital to provide for fluctuations in experience. The Company regards the regulatory statutory capital resources of £42.0m (2016: £25.8m) as capital. The regulatory capital requirements have been met throughout the year. The ICAAP is used to assess the level of capital which should be retained by the Company. The ICAAP considers all of the risks faced by the Company and the degree to which risks have similar or related causes and so could occur together.

Operational risk

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

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

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

Expenses

Expense risk is the risk that actual expenses exceed the expectation when preparing the business plan. This may result in emerging profit falling below the Company's profit objectives.

Expense levels are monitored monthly against budgets and forecasts. An activity based costing process is used to allocate costs relating to processes and activities to individual products.

Sensitivity tests

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2017 and 31 December 2016, assuming all other variables remain constant. The same methods and assumptions have applied to both 2017 and 2016 comparatives.

Interest rate risk

Interest rate risk is 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. The Company is not directly exposed to material interest rate risk. Interest rate risk arises primarily from bank balances held which are exposed to fluctuations in interest rates. The Company's maximum exposure to loss caused by interest rate changes is limited to the interest revenue it earns on bank deposits, which was £0.1m in 2017 (2016: £0.1m)

Market Movement risk

A decrease in value of assets under management by 10% from the start of the year would have decreased profit by £29.5.m after tax (2016: £13.2m). An equal change in the opposite direction would have increased profit by £29.7m after tax (2016: £13.2m).

Expense risk

The increase in expenses is assumed to apply to all fixed overhead costs during the period. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase.

An increase in expenses of 10% would have decreased profit by £16.3m after tax (2016: £10.9m).

4 FEE INCOME

	2017 £'000	2016 £'000
Performance fee income	151,460	38,068
Investment management income	136,085	101,531
Distribution fee income	3,582	3,681
Intercompany revenue	56,383	36,073
Total fee income	347,510	179,353

5 EXPENSES RECHARGED TO GROUP COMPANIES

	2017 £'000	2016 £'000
Expenses recharged to group companies	46,251	40,192

The Company incurs operating costs of Old Mutual Global Investors group. As compensation for this service, the Company receives a management fee from fellow group undertakings based on costs incurred.

6 INVESTMENT RETURN

	2017 £'000	2016 £'000
Interest receivable from cash deposits	116	141
Gains on units held in managed funds	22	20
Foreign exchange gain/(loss)	(148)	(195)
Total investment return	(10)	(34)

The investment return relates to company bank interest receivable and revaluation gains or losses on investments.

7 ADMINISTRATIVE EXPENSES

	2017 £'000	2016 £'000
Administrative expenses	200,875	136,215
Administrative expenses include:		
Investment adviser fees	4,264	4,454
Management fees paid to fellow group undertakings (see note 24)	9,010	7,037
Other operating expenses	187,601	124,724
	200,875	136,215
Auditor's remuneration: audit services paid to KPMG LLP	171	131
Auditor's remuneration: non-audit services paid to KPMG LLP	77	-

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

8 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

Directors' emoluments shown below are included in management fees payable to fellow group undertakings in note 7.

	2017	2016
	£'000	£'000
Aggregate directors' emoluments		
Aggregate emoluments excluding pension contributions	3,505	3,666
Company pension contribution to money purchase scheme	15	25

3 directors had money paid to money purchase schemes during the year (2016: 1)
4 directors, including the highest paid director, received or were due to receive shares or share options in Old Mutual plc under a long term incentive scheme (2016: 1).
3 directors (2016: 2) exercised options during the year.

	2017	2016
	£'000	£'000
Emoluments of the highest paid director		
Aggregate emoluments excluding pension contributions	2,135	2,139
Company pension contribution to money purchase scheme	-	-

The highest paid director did exercise share options during the year (2016: share options were exercised by the highest paid director).

During the year there was £nil (2016: £nil) compensation for loss of office paid to directors; this includes the estimated money value of the following benefits: payment in lieu of notice, loss of participation in the SAYE scheme, pay-out of contractual long term incentive, pension contributions, bonus and statutory redundancy.

The above disclosure includes the remuneration of the directors in relation to their services to this company.

9 EMPLOYEE BENEFITS

	2017	2016
	£'000	£'000
Wages and salaries	123,569	77,352
Share-based payments	677	588
Social security costs	16,425	10,678
Other pension costs	1,848	1,728
Total employee benefits	142,519	90,346

	2017	2016
	Number	Number
The average number of employees was as follows:	305	273

The increase in staff costs relates to an increase in bonuses paid in the year, which is linked to the higher performance fees recognised in 2017. The Company contributes to a Group Personal Pension for the majority of its employees. The core contribution rate is 9% of relevant pensionable earnings.

10 COMMISSION AND REBATES PAID TO INTRODUCERS

	2017 £'000	2016 £'000
Rebates paid to group undertakings (see note 24)	4,149	899
Rebates paid to external introducers	41,276	30,642
Fees paid/(Initial commission)	5,838	115
Total commission and rebates paid to introducers	51,263	31,656

11 TAXATION

Analysis of tax charge for the period	2017 £'000	2016 £'000
Current year charge	33,335	10,742
Adjustment for prior years	285	1,429
	33,620	12,171
Deferred tax expense		
Deferred tax expense	(4,589)	(1,378)
	(4,589)	(1,378)
Tax charge on profit on ordinary activities	29,031	10,793

	2017	2016
Factors affecting tax charge for the period		
IFRS profit before tax	145,797	50,962
Corporation tax charge at 19.25% (2016: 20%)	28,066	10,193
Effect of		
Expenses not deductible for tax purposes	739	674
Statutory share based payment deductions	(121)	(942)
Effect on deferred tax of changes in tax rates	263	197
Deferred tax - prior year adjustment	(201)	(758)
Prior year adjustment	285	1,429
	29,031	10,793

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

The Company has recognised deferred tax assets as disclosed in note 15. The Company considers that the future year's profits will be sufficient to utilise the tax asset carried forward.

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

12 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000	Furniture £'000	Total £'000
Cost or valuation			
At 1 January 2016	1,342	89	1,431
Additions	271	-	271
At 31 December 2016	1,613	89	1,702
Additions	13	-	13
At 31 December 2017	1,626	89	1,715
Accumulated depreciation			
At 1 January 2016	1,063	89	1,152
Depreciation charge for the year	169	-	169
At 31 December 2016	1,232	89	1,321
Depreciation charge for the year	223	-	223
At 31 December 2017	1,455	89	1,544
Carrying amount			
At 31 December 2016	381	-	381
At 31 December 2017	171	-	171

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

13 INTANGIBLE ASSETS

	Internally developed software £'000	Product Development £'000	Total £'000
Cost or valuation			
At 1 January 2016	1,444	3,035	4,479
Additions	49	-	49
At 31 December 2016	1,493	3,035	4,528
Additions	22	-	22
At 31 December 2017	1,515	3,035	4,550
Accumulated amortisation			
At 1 January 2016	1,388	89	1,477
Amortisation charge for the year	39	607	646
At 31 December 2016	1,427	696	2,123
Amortisation charge for the year	48	556	604
Impairment recognised	-	1,783	1,783
At 31 December 2017	1,475	3,035	4,510
Carrying amount			
At 31 December 2016	66	2,339	2,405
At 31 December 2017	40	(0)	40

Product development intangible assets include the capitalisation of information technology and infrastructure costs associated with key funds launched in 2015. An impairment of 100% of the value of these intangibles was recognised in 2017.

The impairment charge is included in Administrative Expenses in the Income Statement.

14 DEFERRED ACQUISITION COSTS

	2017 £'000	2016 £'000
Opening balance	194	872
Capitalisation of deferred acquisition costs	5,763	115
Amortisation of deferred acquisition costs	(1,603)	(793)
Foreign exchange gain/(loss)	24	-
Change in deferred acquisition costs	4,184	(678)
Closing balance	4,378	194

15 DEFERRED TAX ASSET

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

	Accelerated tax depreciation £'000	Short term timing differences £'000	Tax losses £'000	Total £'000
Asset at 1 January 2016	534	2,901	-	3,435
Movement in the year	107	1,271	-	1,378
Asset at 31 December 2016	641	4,172	-	4,813
Movement in the year	475	4,114	-	4,589
Asset at 31 December 2017	1,116	8,286	-	9,402

The deferred tax asset receivable within one year is £5,430 (2016: £nil) and greater than one year is £3,972k (2016: £4,813k).

16 INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES

	2017 £'000	2016 £'000
At fair value through the income statement		
Investments held in Employee Benefit Trust	455	339
Investments in funds	33	98
Total Investments in collective investment schemes	488	437

17 OTHER RECEIVABLES

	2017 £'000	2016 £'000
At amortised cost		
Due from group undertakings	6,795	7,697
Trade debtors	243	1,237
Prepayments and accrued income	12,348	8,793
Investment management fees receivable	13,424	9,441
Performance fees receivable	123,781	37,578
Distribution fees receivable	398	285
Total other receivables	156,989	65,031

All amounts above are short term and interest free with the carrying amount approximating to fair value. There have been no non-performing receivables or material impairments in the financial year that require disclosure. None of the receivables reflected above have been subject to the renegotiation of terms.

Prepayments and accrued income primarily consists of deferred bonus prepayments.

18 CASH AND CASH EQUIVALENTS

	2017 £'000	2016 £'000
Cash held at bank	80,348	38,692
Cash held on deposit	48,345	24,230
Total cash and cash equivalents	128,693	62,922

The cash and cash equivalents comprises balances held in multiple current and deposit bank accounts. The carrying amount of these assets approximates to their fair value.

19 SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
21,000,000 ordinary shares of £1 each (2016: 21,000,000 of £1 each)	21,000	21,000

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

20 OTHER PAYABLES

	2017 £'000	2016 £'000
At amortised cost		
Due to group undertakings	5,053	10,494
Accruals	118,108	60,170
Other	11,259	8,094
Total other payables	134,420	78,758

Accruals principally comprise amounts due to clients and amounts due to staff relating to bonuses. The directors consider that the carrying amount of other payables approximates to their fair value. All other payables are short-term, current and interest free. Amounts due to group undertakings are unsecured, interest-free and repayable on demand.

21 FINANCIAL INSTRUMENTS

Fair value hierarchy
The table below analyses financial instruments into a hierarchy based in the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 1 to 2 transfers
There have been no changes in valuation techniques during the year under review. There have been no transfers between Level 1 and Level 2 during the year under review.

As at 31 December 2017:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments in collective investment schemes	488	-	-	488
Deferred bonus liability	(455)	-	-	(455)
	33	-	-	33

As at 31 December 2016:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments in collective investment schemes	437	-	-	437
Deferred bonus liability	(339)	-	-	(339)
	98	-	-	98

Master netting or similar agreements
The Company may from time to time offset financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis or at a simultaneous time. The Company did not during the 2017 or 2016 financial year offset any financial assets or liabilities under any master netting or similar agreement.

Unconsolidated structured entities
The Company manages several investment funds, which are unconsolidated structured entities. This note provides additional information on these funds. The Company holds interests in these funds through the receipt of management and other fees and an equity holding in certain of these funds. The investment funds are open-ended investment companies and professional investment funds, and are beneficially owned by third party investors.

Company extent of involvement in unconsolidated structured entities
The Company holds interest in unconsolidated structured entities as at 31 December 2017 as set out in the table below. The maximum exposure to losses is equal to the sum of the carrying amount of assets held.

	2017	2016
	£'000	£'000
Nature of risks associated with interests in unconsolidated structured entities		
Market value of funds under management	16,696,189	11,314,552
Investment management fees earned from funds in the year	291,127	143,279
Investment management fees owed from funds (included in trade and other receivables)	13,449	10,931
Investment in collective investment schemes	488	437

22 FINANCIAL AND CAPITAL COMMITMENTS

Operating lease commitments are in respect of a building occupied in Edinburgh. An office was opened there in early 2015 after the on boarding of an investment team based in Edinburgh.

	2017	2016
	£'000	£'000
Operating lease commitments (non-cancellable)		
Due within one year	62	69
Due within one year to five years	216	439
Due later than 5 years	-	-
Total operating lease commitments	278	508

23 SHARE BASED PAYMENTS

During the year ended 31 December 2013, a share based payment plan was implemented for certain key employees of Old Mutual Wealth Management Limited, including Old Mutual Global Investors, with the stated objective of achieving certain strategic objectives and metrics. The awards are accounted for as an equity settled share-based payment scheme.

Type of arrangement	Description of award	Contractual life	Vesting options
UK Sharesave Scheme (SAYE)	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 of five year period and payment of monthly contributions to a savings contract.
UK Share Options and Deferred Delivery Plan	Options over Old Mutual plc shares listed on the LSE	Six years	Three years' service and achievement of a target growth in earnings per share
UK Restricted Share Plan	Old Mutual plc restricted shares / restricted stock units listed on the LSE. Employees are in some instances entitled to dividend payments throughout the vesting period	Three to five years	Service over a three year period and in certain circumstances achievement of a target growth in earnings per share.

Options over shares in Old Mutual plc	Number of options 2017	Weighted average exercise price 2017	Number of options 2016	Weighted average exercise price 2016
Outstanding at 1 January	1,101,190	£1.61	913,614	£1.72
Granted during the year	-	-	572,979	£1.51
Forfeited during the year	(80,251)	£1.65	(273,497)	£1.75
Exercised during the year	(275,560)	£1.63	(108,273)	£1.60
Expired during the year	-	-	-	-
Other transfers during the year	1,370	-	(3,633)	-
Outstanding at 31 December	746,749	£1.61	1,101,190	£1.61

23 SHARE BASED PAYMENTS (continued)

The following describes the option pricing inputs used for options granted by the Company during the year 2017:

	Year	Number of options granted	Fair value at measurement date	Share price	Exercise Price
UK Sharesave Scheme:	2017	-	£0.00	£0.00	£0.00
	2016	572,979	£0.34	£1.78	£1.51

	Year	Expected volatility	Expected Life	Expected dividends	Risk free interest rate
UK Sharesave Scheme:	2017	-	-	-	-
	2016	28.0%	3.0 yrs	4.6%	0.5%

There were no restricted shares granted by the Group during the year.

24 RELATED PARTY TRANSACTIONS

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

	2017 £'000	2016 £'000
Investment Management Activity		
Investment Advisor Fees earned from fellow subsidiary undertakings	56,382	36,073
Investment Advisor fees receivable from fellow subsidiary undertakings	6,031	3,467
Fellow subsidiaries - investment management fees rebated in the year	4,149	899
Fellow subsidiaries - investment management fees rebated creditor	227	320

An annual management fee is charged daily and billed monthly on funds under management and a rebate is made to the fellow subsidiary company which acted as introducer. This is settled in cash on a monthly basis. The amounts due to and from group undertakings are recognised as a net balance on an individual group company basis. These consist of management fee payable, management fee rebates and group relief. All balances, with the exception of group relief, are expected to settle within one month.

Investment management fees earned in the year and receivable at 31 December 2017 have been moved to unconsolidated structured entities within note 21.

	2017 £'000	2016 £'000
Management Expense Activity		
Annual Management fees earned from fellow subsidiary undertakings	(46,251)	(40,192)
Annual Management fees receivable from fellow subsidiary undertakings	(564)	(3,841)
Annual Management fees paid to fellow subsidiary undertakings	(9,010)	(7,037)
Annual Management fees owed to fellow subsidiary undertakings	(1,998)	(10,095)

24 RELATED PARTY TRANSACTIONS (continued)

Management services and fixed assets in the current and prior period are provided by fellow group undertaking Old Mutual Wealth Business Services Limited. This entity charges a shared service fee for costs incurred and services provided. This management fee is charged at a mark-up on cost.

Investment adviser fees are received from fellow subsidiary Old Mutual Investment Management Limited. Amounts due from or to group undertakings at the reporting date are included in notes 17 and 20 respectively. Balances are settled in cash on a quarterly or monthly basis.

Details of transactions with directors and key management are provided in note 8.

25 ULTIMATE PARENT COMPANY

The Company's immediate parent is Old Mutual Global Investors Holdings Limited (company number 06450145), a company registered in England & Wales.

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

The financial statements are available from:

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

26 EVENTS AFTER THE BALANCE SHEET DATE

There are no events that have occurred between the reporting date and the date when the financial statements have been authorised for issue that require disclosure.