

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

31 December 2019

Caerus Capital Group Limited

Registered in England and Wales No. 07069448

CONTENTS

	PAGE
Company information	1
Strategic report	2 - 4
Directors' report	5 - 6
Statement of directors' responsibilities in respect of the strategic report directors' report and the financial statements	7
Independent auditor's report	8 - 9
Statement of profit or loss and other comprehensive income	10
Statement of changes in equity	11
Statement of financial position	12
Statement of cash flows	13
Notes to the financial statements	14 - 28

COMPANY INFORMATION

Directors	M Dean S C Gazard D Rance
Secretary	Quilter CoSec Services Limited
Bankers	Metro Bank Plc One Southampton Row London WC1B 5HA
Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE
Registered office	Wiltshire Court Farnsby Street Swindon SN1 5AH

Telephone: 01793 647400

Website: www.caeruswealth.com

Registered in England and Wales No. 07069448

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2019.

Review of business and principal activity

The principal activity of Caerus Capital Group Limited ('the Company') during the year under review was that of a holding company. The Company is incorporated and domiciled in England and Wales.

The Company is part of the Quilter plc Group. Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. The Company forms part of the Quilter Financial Planning division within the Quilter plc Group. Quilter Financial Planning Limited (formerly Intrinsic Financial Services Limited) is an immediate holding company, providing strategic and governance oversight. The Company forms part of the Advice and Wealth Management segment.

Quilter plc strategy

Quilter aims to be the leading UK and cross-border full service wealth manager, providing advice-led investment solutions and investment platforms, focusing on delivering good customer outcomes. The breadth of the Group's model helps to generate prosperity for customers by providing the services to develop suitable financial plans, manage customers' investments in risk-based solutions and by helping customers access modern wealth wrappers via the Group's platforms. The Group's purpose and strategy are underpinned by core beliefs, which include: the belief in the value of face-to-face advice, that better choice for customers does not mean more choice, and modern, simple and transparent products should be easily accessible and good value. The directors of Quilter plc believe that the Group's competitive advantage lies in its strong market positions in attractive markets and its ability to offer high quality solutions across each element of the value chain at a competitive, transparent and unbundled price.

Management is confident in the Group's strategic path and growth prospects. Short-term market, economic and political uncertainty may temper momentum in near-term flows and the level of assets under administration, but the Group operates in a large and fragmented market that has good long-term growth potential.

Caerus Capital Group Limited strategy

Quilter Financial Planning Limited (QFP) is the immediate parent company and overall holding company for the financial advice operations within Quilter plc and the Company is a subsidiary of this entity. The Company in turn wholly owns a number of subsidiaries which operate as a financial advice network, which contained 240 financial advisers at the end of the reporting period. QFP acquired 100% of the issued share capital of the Company in June 2017. The acquisition by QFP, a wholly owned subsidiary of Quilter plc, has provided access to a greater level of capital resource and regulatory expertise which has helped to develop and enhance the experience of both the appointed representatives and the customers of the Company.

During 2019, the Company remained a holding Company for Caerus Holdings Limited. As a wholly owned subsidiary of Quilter plc, the Company is not required to produce financial statements that consolidate the performance of its subsidiary companies. As a consequence, these results reflect the performance of the Company as a standalone entity and include only the holding value of the investment in the subsidiaries.

A sale and purchase agreement transferring the ownership of Quilter Investors Portfolio Management Limited from Caerus Holdings Limited to Quilter plc became effective on 1 January 2020.

Key performance indicators

No trading activities were undertaken by the Company during the year.

Total administrative expenses in 2019 were £nil (2018: £13k) and are expected to remain at a minimal level going forward. The Company has positive net assets of £2,850k (2018: £2,850k).

The withdrawal of the UK from the EU on 31 January 2020 continues to generate a level of uncertainty in the UK financial services sector. The effect of this uncertainty is the extent to which this translates into an impact upon advice income. The Company actively supports advisers in their communication with customers in order to mitigate the adverse impact of this uncertainty.

The Company's strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company from the UK's withdrawal from the European Union. The Company is part of a pan-Quilter project to manage the impacts on the business of this withdrawal. The Company is, however, exposed to additional risks, such as reducing investor confidence and adverse market reaction, as a result of the significant downturn in the markets due to the coronavirus SARS-CoV-2 ("COVID-19"). As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will continue to benefit from ongoing

STRATEGIC REPORT (continued)

capital support from QFP the immediate parent company and the broader Quilter group.

At this time, COVID-19 has been recognised by the World Health Organisation as a global pandemic, therefore this will impact global supply chains, global market growth and employee availability over the next few years. The Company will be adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks depending on the extent of employment availability. The length and severity of the impact from COVID-19 remains a clear risk, although the Company would not expect this to materially change the underlying long-term prospects and going concern basis of the business. Whilst there will be a detrimental impact on cash flow, capital support will be provided by the broader Quilter group given that the Company is a key component for Quilter plc to achieve its strategy.

Going concern

In evaluating going concern the directors have given consideration to the matters outlined above, along with recognising the strategic importance of the Company to Quilter plc. Furthermore, the Company's immediate parent has committed, with written confirmation to provide the required level of continued capital support for at least 18 months from the date of this report. Accordingly, these financial statements have been prepared on the basis of the Company being a going concern.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are those which impact upon the ability to deliver sustainable advice profits that support regular dividend flows. This includes investment market performance, client persistency, expense levels and risks within operational activities associated with systems, processes, people, and external influences. The Company does not seek market risk (trading securities with its own funds), and has limited risk appetite for credit risk via loans to authorised representatives and Company cash held with counterparties.

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

Development and implementation of IT systems

In 2020, the Group will continue to focus on updating and enhancing its IT capabilities. Such IT developments carry inherent execution risk. The Company is managing the execution risk arising on IT implementation through its Change Management Team dedicated to the implementation of projects within the business.

Conduct risk management

The delivery of demonstrably suitable customer outcomes continues to be a central focus for the advice business. The Company is aware of the customer harm, regulatory and cost implications arising from the provision of unsuitable advice and, or ongoing servicing. It continues to provide adviser supervision and advice assessments through its compliance operations and monitoring arrangements with oversight of its systems and controls at the core of the Company's control environment.

Customer complaints and redress experience

The controlled distribution model operated by the business benefits from expertise in defining and reviewing the restricted matrices and panels used by the business and strong governance over adherence to the defined advice standards, including file checking. This strategy combined with the operational approach to provide our customers with the right outcomes through process and Root Cause Analysis seeks to mitigate the risk of repeat instances or scenarios requiring client redress. However, the Company remains mindful of further industry level issues that could arise due to regulatory sentiment with the quality and checking regime within the business continuing to focus on customer outcomes as the basis of avoiding the likelihood of complaints.

Financial instruments

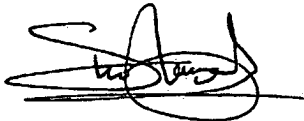
The Company's main exposure to risk arising from financial instruments is its exposure to credit risk arising on cash, short-term deposits, Money Market Funds (MMF) and trade and other receivables. Cash and short-term deposits are placed with high credit-rated banks which significantly reduces credit risk, where the operational limit is breached a daily diversification process is triggered, placing cash in accounts with significant operational limit headroom. MMF are sterling denominated and only invest in highly rated short term commercial paper.

STRATEGIC REPORT (continued)

Regulatory change

The Company addresses actively the risk of failure to comply with changes in the regulatory requirements through processes including horizon scanning, commissioning and delivery of regulatory change projects and compliance monitoring. Where necessary the Company engages third parties to provide support and assurance in respect to its delivery of regulatory change.

By order of the Board

A handwritten signature in black ink, appearing to read 'Stephen Gazard', with a large, stylized flourish underneath.

Stephen Gazard

Director

Date: 23 July 2020

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2019.

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

RESULTS AND DIVIDENDS

The Company's profit (loss) for the year, after taxation, amounted to £nil (2018: £(191,000)).

The directors do not recommend the payment of a dividend (2018: £nil).

FINANCIAL INSTRUMENTS

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

MANAGED CAPITAL

The Company's objectives in managing its capital are to ensure that there are adequate resources to meet the Company's liabilities as they fall due, to meet external capital requirements set by the Financial Conduct Authority, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company manages its capital by measuring its resources and cash availability on a regular basis, and through regular monitoring of excess regulatory capital. The Company's capital position and the movement in this from the prior year are disclosed within the statement of changes in equity. The Company met all external regulatory capital requirements during the year.

DIRECTORS

The directors of the Company who held office during the period and up to the date of signing the financial statements were:

M Dean (appointed 3 July 2020)

S C Gazard (appointed 3 July 2020)

D Rance

D W J Sharkey (resigned 3 July 2020)

The Company Secretary during the period was OMW CoSec Services Limited which changed its name to Quilter CoSec Services Limited on 3 April 2019.

DIRECTORS' THIRD-PARTY INDEMNITY PROVISION

Qualifying third-party provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2019 for the benefit of the then directors and at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties/powers or office.

EMPLOYEES

The Company has no employees. Caerus Holdings Limited and Quilter Financial Limited, subsidiaries of Caerus Capital Group Limited, employed all staff until June 2018 when employees were transferred to Quilter Financial Planning Limited. The related employee disclosures are in those financial statements.

POLITICAL DONATIONS

During the year the Company made no political donations (2018: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

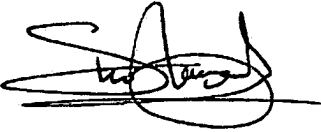
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

AUDITOR

KPMG LLP has held office in accordance with Section 487 of the Companies Act 2006 for the 2019 financial year. Following a rigorous tender process conducted by Quilter plc, PricewaterhouseCoopers LLP will assume the role of independent auditors for the Quilter Group, of which the Company is a member, for the year ending 31 December 2020. Formal appointment as auditors to the Company will be completed after the approval of these financial statements.

By order of the Board

A handwritten signature in black ink, appearing to read 'Stephen Gazard', written over a horizontal line.

Stephen Gazard
Director
Date: 23 July 2020

**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, 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 (IFRS as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS 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 the 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 CAERUS CAPITAL GROUP LIMITED**

Opinion

We have audited the financial statements of Caerus Capital Group Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of profit or loss and other 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 2019 and of its result 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

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 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMEBERS OF CAERUS CAPITAL GROUP LIMITED (continued)**

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.

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.



Peter Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

24/7/20

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Administrative expenses	4	-	(13)
OPERATING RESULT/(LOSS)		-	(13)
Finance costs	6	-	(4)
RESULT/(LOSS) BEFORE TAXATION		-	(17)
Taxation	7	-	(174)
RESULT/(LOSS) FOR THE YEAR		-	(191)
TOTAL COMPREHENSIVE RESULT/LOSS		-	(191)

The notes on pages 14 to 28 are an integral part of these financial statements.

The result for the year relates wholly to continuing activities.

The result for the year is attributable to the equity holders of the Company.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings/ (losses) £'000	Total equity £'000
Balance at 1 January 2018	47	6,663	(90)	(3,579)	3,041
Loss for the year	-	-	-	(191)	(191)
Balance at 31 December 2018	47	6,663	(90)	(3,770)	2,850
Capital reduction	-	(4,100)	-	4,100	-
Balance at 31 December 2019	47	2,563	(90)	330	2,850

The notes on pages 14 to 28 are an integral part of these financial statements.

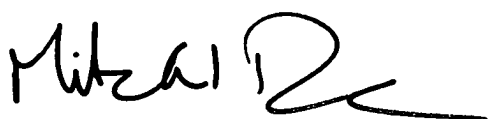
STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	Note	2019 £'000	2018 £'000
NON-CURRENT ASSETS			
Investments in subsidiaries	8	6,419	6,419
Deferred tax		59	59
		<u>6,478</u>	<u>6,478</u>
CURRENT ASSETS			
Current tax receivable		319	319
Trade and other receivables	9	634	445
Cash and cash equivalents	10	11	8
		<u>964</u>	<u>772</u>
TOTAL ASSETS		<u>7,442</u>	<u>7,250</u>
CURRENT LIABILITIES			
Trade and other payables	11	4,592	4,400
TOTAL LIABILITIES		<u>4,592</u>	<u>4,400</u>
NET ASSETS		<u>2,850</u>	<u>2,850</u>
CAPITAL AND RESERVES			
Share capital	12	47	47
Share premium	13	2,563	6,663
Treasury shares/held by subsidiaries		(90)	(90)
Retained earnings/(losses)		330	(3,770)
TOTAL EQUITY		<u>2,850</u>	<u>2,850</u>

The notes on pages 14 to 28 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 23 July 2020

Signed on behalf of the Board of directors



Mitchell Dean

Director

Company registered number: 07069448

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flow from operating activities		
Operating result/(loss) before tax	-	(17)
<i>Adjustment to reconcile loss before tax to net cash outflow from/(used in) operating activities:</i>		
(Increase)/decrease in trade and other receivables	(189)	21
Increase/(decrease) in trade and other payables	192	(86)
Finance costs	-	4
Net cash flow generated from/(used in) operating activities	<u>3</u>	<u>(78)</u>
Interest paid	-	(4)
Net cash flow generated from/(used in) operating activities	<u>3</u>	<u>(82)</u>
Net increase/(decrease) in cash and cash equivalents	<u>3</u>	<u>(82)</u>
Cash and cash equivalents at beginning of the year	<u>8</u>	<u>90</u>
Cash and cash equivalents at end of the year	<u><u>11</u></u>	<u><u>8</u></u>

Statement of cash flows is prepared according to the indirect method.

The notes on pages 14 - 28 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

1 GENERAL INFORMATION

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 activity of the Company is that of a holding company.

2 ACCOUNTING POLICIES

a) Basis of preparation

The Company's financial statements have been prepared and approved by the directors on a going concern basis, and in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRS) as they apply to the financial statements of the Company for the year ended 31 December 2019, and applied in accordance with the Companies Act 2006 legislation.

The accounting policies set out below, have, unless otherwise stated, been applied consistently to all periods presented on these financial statements.

After management's assessment, which included considering the liquidity of the Company's assets, projected regulatory capital positions, the impact of COVID-19 through impact scenario testing and the Company's immediate parent's commitment, with written confirmation to provide the required level of continued capital support for at least 18 months from the date of this report, the directors have considered its parent's ability to provide the support and have a reasonable expectation that the Company has adequate resources to continue in operational existence, for the foreseeable future (being 12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

b) Adoption of new IFRS accounting standards

New standards, amendments to standards, and interpretations adopted by the Company

The Company has adopted IFRIC 23 Uncertainty over Income Tax Treatments during the year ended 31 December 2019. 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 the "accounting tax position") where there is uncertainty over treatment. All tax provisions for the Company continue to be calculated consistent with IAS 12 Income taxes and provisions in respect of any uncertain tax positions have been calculated consistent with IFRIC 23. No adjustments to tax balances have resulted from the adoption of IFRIC 23.

Other standards

In addition to IFRIC 23, the following amendments to the accounting standards, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, have been adopted by the Company from 1 January 2019 with no impact on the result, financial position or disclosures:

- Amendments to IFRS 9: Financial Instruments – Prepayment features with negative compensation
- Amendments to IAS 28: Investments in Associates – Long-term interests in associates and joint ventures
- Amendments to IAS 19: Employee Benefits – Plan amendments, curtailments or settlements
- Annual improvements to IFRS 2015-2017 Cycle – Amendments to IFRS 3 Business combinations, IFRS 11 Joint arrangements, IAS 12 Income taxes and IAS 23 Borrowing costs
- IFRS 16: Leases - Recognition of the right-of-use asset and the lease liability

Future standards, amendments to standards, and interpretations not early adopted in these annual financial statements

Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the Company's annual accounting period beginning after 1 January 2020. The Company has not early adopted these standards, amendments and interpretations.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

2 ACCOUNTING POLICIES (continued)

c) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year.

d) Investment in subsidiary undertakings

Investment in subsidiary undertakings are initially stated at cost. Subsequently, investment in subsidiary undertakings are stated at cost less a provision for impairment. An investment in subsidiary is deemed to be impaired when its carrying amount is greater than the estimated recoverable amount and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the income statement as they occur.

e) IFRS 9 Financial Instruments

Financial Instruments

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables, cash and cash equivalents and financial liabilities, including investment contract liabilities, 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, and only 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. The Company determines its strategy in holding the financial asset, particularly considering whether the Company earns 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. These factors enable management to determine which financial assets should be measured at fair value through the profit and loss (FVTPL).

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.

Classification and measurement of financial assets and financial liabilities

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 FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

2 ACCOUNTING POLICIES (continued)

e) IFRS 9 Financial Instruments (continued)

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 assets at FVTPL

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 or at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Loans and advances

Loans with fixed maturities are recognised when cash is advanced to borrowers. Loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. All other 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 effective interest method and are subject to the impairment requirements outlined below.

Financial liabilities and equity

Management also determines the classification of financial liabilities at initial recognition. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are measured at amortised cost using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables and receivables

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

Investments in subsidiaries

Investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the income statement as they occur.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

2 ACCOUNTING POLICIES (continued)

e) IFRS 9 Financial Instruments (continued)

Impairment of financial assets

The expected loss accounting model for credit loss applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables, cash and cash equivalents and corporate debt securities.

Credit loss allowances are measured on each reporting date according to a three stage 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 two main types of financial assets that are measured at amortised cost:

- Trade 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.
- 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 revised 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

2 ACCOUNTING POLICIES (continued)

e) IFRS 9 Financial Instruments (continued)

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.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Company concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

f) Financing income and expense

Interest income is recognised as it accrues using the interest rate applicable over the period of the income.

Interest expense is recognised as it accrues using the interest rate applicable over the period of the expense.

g) Taxes

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities, or paid to or recovered from other group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income.

Deferred income tax

Deferred taxes are calculated according to the statement of financial position method, based on temporary timing differences between reported and tax values of assets and liabilities. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax liabilities are not discounted.

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

Deferred tax is charged or credited in the statement of profit or loss and other 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

3 RISK MANAGEMENT FRAMEWORK

Enterprise-wide risk management

The Board of Quilter has developed an Enterprise-wide Risk Management (ERM) approach that applies to all companies within the Quilter Group, including the Company. Quilter's risk management objective is to operate a robust ERM framework within every part of the Group through embedding a risk and governance framework that supports an efficient and effective operating environment. The ERM framework encompasses a number of elements, including:

- 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 Quilter seeks to ensure that risk and capital implications are considered when making strategic and operational decisions, and to ensure that the risk profile is understood and managed within the agreed risk appetite.

Risk Appetite

The Risk Appetite Framework (RAF) is defined as the policies, processes, skills and systems that set out the way that Quilter staff across all business and control functions should talk about, think about, and manage risk in relation to Quilter's risk appetite. The RAF builds upon the existing business planning, capital and risk management processes and has three distinctive components:

- **Strategy and Business Planning Process:** quantitative and qualitative strategic risk appetite principles linked to risk limits.
- **The Stress and Scenario Framework:** quantitative risk appetite statements linked to the businesses strategic objectives, and contractual and regulatory requirements.
- **The Risk Policy Framework:** quantitative and qualitative risk appetite statements for individual risks embedded into the policy framework. These set out the approach taken to mitigate and manage risks, informed by the policy appetite statements and control standards. The qualitative and quantitative risk appetite statements are undergoing further development as part of the enhancement to the ERM framework.

The qualitative and quantitative risk appetite statements are undergoing further development as part of the enhancement to the ERM framework.

Risk culture

Risk culture is defined as the system of values and behaviours embedded in the Company that shapes risk decisions. The Company'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.
- Creating 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

3 RISK MANAGEMENT FRAMEWORK (continued)

Credit risk

Credit risk is the risk that the Company is exposed to a loss if another party fails to meet its financial obligations, including failing to meet them in a timely manner. The Group has established a credit risk policy which sets out restrictions on the permitted financial transactions with counterparties to control and monitor the level of credit risk to which the Company is exposed.

The Company is exposed to limited credit risk. The credit risk on liquid funds is limited because the counterparties are banks and Money Marketing Funds (MMF) with high credit ratings assigned by international credit rating agencies.

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

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

Market risk

Market risk is defined as the risk that a change in the value of or income from any asset is not matched by an equal change in the value of the related liability. Market risk arises from fluctuations in variables such as interest rates and foreign exchange rates. The Company does not directly seek market risk, but may be indirectly subject to market risk in the following areas:

Interest rate risk

The effective interest rate applicable to interest bearing financial instruments is at a floating rate based on daily bank deposit rates.

Currency risk

The Company is not exposed to currency risk, as all Company assets are held in GBP.

Liquidity risk

Liquidity risk is the risk that a Company, although solvent, does not have available sufficient financial resources to enable it to meet its financial obligations as they fall due, or can secure them only at excessive cost.

The Company is exposed to minimal liquidity risk as all its investments and bank accounts are available on demand and sufficient to meet day-to-day outgoings. There are no external borrowings.

Political risk

The withdrawal of the UK from the EU on 31 January continues to generate a level of uncertainty in the UK financial services sector. The effect of this uncertainty is the extent to which this translates into an impact upon advice income. The Company actively supports advisers in their communication with customers in order to mitigate the adverse impact of this uncertainty.

The Company's strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company from the UK's withdrawal from the European Union. The Company is part of a pan-Quilter project to manage the impacts on the business of this withdrawal. The Company is however exposed to additional risks potentially, such as reducing investor confidence and adverse market reaction, as a result of the significant downturn in the markets due to COVID-19. As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will continue to benefit from ongoing capital support from QFP, the immediate parent company and the broader Quilter group.

Risk and capital management

The Caerus Group's capital management policy sets out the key considerations and restrictions with regard to the amount of capital that is retained by each entity within the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

3 RISK MANAGEMENT FRAMEWORK (continued)

In the event of the Company incurring losses resulting in erosion of its capital base it is supported financially by its immediate parent company QFP.

Operational risk

Operational risk is defined as the risk of adverse business outcomes resulting from inadequate or failed internal processes, personnel and systems, or from external events (other than financial or business environment risks). Operational risk is an unavoidable consequence of being in business as it can never be fully eliminated. However, it can be effectively managed to ensure exposures and associated risk events are kept to a minimum.

The constituent parts of the operational risk framework are:

Risk & control self-assessment

Identify, assess, manage, monitor and report risk exposures arising from people, processes, systems and external events.

Significant business change

Comprehensively assess risk arising from new products, significant variations to existing products, new areas to undertake business, regulatory change programmes or other material or transformational programmes.

Scenario analysis

Assess the possible impact of extreme but plausible operational risk events.

Issues management

Ensure that all risk issues raised against the business are captured, classified and managed consistently.

Events management

Ensure that internal events are identified, assessed, analysed for root causes, managed, monitored and reported.

COVID-19

In early 2020, the new COVID-19 was recognised by the World Health Organisation as a global pandemic. This will have the impact of increasing existing risks as well as creating new ones through disruption to global supply chains and employee availability along with the negative impact on global market growth. The Company is addressing these risks through the application of the Enterprise-wide Risk Management framework outlined above. As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. In support of this and as outlined in the Strategic Report the Company will continue to benefit from ongoing capital support from its immediate parent company and the broader Quilter group.

4 OPERATING COSTS

Administrative expenses

Auditor remuneration is charged to, and settled by Caerus Holdings Limited, no recharges are made to the Company in respect of this.

5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

The directors have minimal input in the day to day administration of the Company where there is no appropriate basis on which their remuneration can be apportioned for their services to the Company, consequently no recharge is made to the Company. The directors' remuneration of £577,000 was paid by Quilter Financial Planning Limited and details of their emoluments are disclosed in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

6 FINANCE COSTS

	2019 £000's	2018 £000's
Interest payable on loans	-	4

7 TAXATION

	2019 £'000	2018 £'000
Current year corporation tax credit	-	(1)
Adjustment in respect of prior periods	-	234
Deferred tax	-	(59)
Tax credit for the year	-	174

The total tax payable for the year can be reconciled to the accounting result/(loss) as follows:

	2019 £'000	2018 £'000
Result/(loss) before tax	-	(17)
Tax based on the result/(loss) at the applicable tax rate 19% (2018: 19%)	-	(3)
Effect of:		
Expenses not deductible for tax purposes	-	2
Recognition of previously unrecognised deferred tax assets	-	(59)
Adjustment to prior year figures	-	234
Total	-	174

From 1 April 2017 the main rate of UK corporation tax was reduced to 19%.

	Tax losses carried forward £'000	Deferred tax asset not provided £'000	Deferred tax asset £'000
Assets/(liabilities) at 31 December 2018	76	(17)	59
Movement in year	-	-	-
Assets/(liabilities) at 31 December 2019	76	(17)	59

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

Post April 2017 losses of £311,000 have been recognised in full as it is probable there will be future taxable profits within the Quilter Group against which the losses will be utilised.

A deferred tax asset of £17,000 (2018: £17,000) in respect of tax losses of £102,000 (2018: £102,000) have not been recognised as there is sufficient uncertainty to the extent it is probable that there will be future taxable profits to utilise the losses. Trading losses are available to carry forward without expiry subject to the continuation of the trade.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

8 INVESTMENT IN SUBSIDIARIES

	Investments in subsidiaries £'000
2018	
At 1 January 2018	6,419
At 31 December 2018	<u>6,419</u>
2019	
At 1 January 2019	6,419
At 31 December 2019	<u>6,419</u>

The subsidiary undertakings at year end, all wholly owned and registered in England and Wales are:

	Shareholding	Address
Direct		
Caerus Holdings Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Indirect		
Caerus Bureau Services Limited (in liquidation)	Ordinary	Hill House, 1 Little New Street, London, EC4A 3TR
Caerus Wealth Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Wealth Solutions Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Quilter Financial Limited	Ordinary	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Quilter Investors Portfolio Management Limited	Ordinary	Millenium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ

Impairment of investments in subsidiaries annual impairment test

The carrying amounts of the Company's investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investment to the recoverable value, being the higher of value in use (VIU) and its fair value (FV) less costs to sell. If applicable, an impairment charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income when the recoverable amount is lower than the carrying value.

The VIU test has been calculated with reference to the 2019-2022 business plan with cashflows beyond this period modelled based on year on year revenue growth of 5% and expense growth of 2%. A terminal value is calculated and discounted to present value using a discount rate of 9%. Management perform sensitivity tests to stress the VIU calculation whereby the revenue growth rate is reduced to 2% and the discount rate is increased to 10.5%.

The Company's subsidiaries are exposed to additional risks, such as reducing investor confidence and adverse market reaction, particularly in the post balance sheet period, as a result of the significant downturn in the markets due to the COVID-19. These subsidiaries will be adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks depending on the extent of employment availability. The length and severity of the impact from COVID-19 remains a clear risk.

After undertaking the above tests and consideration of the potential impacts of the downturn in the markets, the recoverable amount for each subsidiary exceeds the carrying value, management are satisfied that no impairment is required in investments in subsidiaries as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

9 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Amounts due from subsidiary undertakings	<u>634</u>	<u>445</u>

For terms and conditions on related party transactions, refer to note 14.

10 CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash and cash equivalents	<u>11</u>	<u>8</u>

All cash and cash equivalents are current and do not earn interest. The carrying amount of these assets approximates to their fair value.

11 TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Payable to Quilter plc subsidiary undertakings	129	80
Payable to subsidiary undertakings	<u>4,463</u>	<u>4,320</u>
	<u>4,592</u>	<u>4,400</u>

For terms and conditions on related party transactions, refer to note 14.

12 CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, issued and fully paid		
4,471,633 (2018: 4,471,633) share capital of 1.00 pence each	45	45
214,994 (2018: 214,994) B shares of 1.00 pence each	<u>2</u>	<u>2</u>
Shares classified in shareholders' funds	<u>47</u>	<u>47</u>

The number of treasury shares held at year end is 25,008.

The ordinary shares have full voting rights, as well as dividend and capital distribution rights. The shares are not redeemable.

The B shares have no voting or dividend rights and are not redeemable but can participate in a capital distribution.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

13 RESERVES

	Share premium £'000	Treasury shares £'000	Retained (losses)/ earnings £'000
2018			
At beginning of the year	6,663	(90)	(3,579)
Loss for the year	-	-	(191)
At end of the year	<u>6,663</u>	<u>(90)</u>	<u>(3,770)</u>
2019			
At beginning of the year	6,663	(90)	(3,770)
Capital reduction	(4,100)	-	4,100
At end of the year	<u>2,563</u>	<u>(90)</u>	<u>330</u>

On 12 December 2019, the Company reduced share premium by £ 4,100,000, the reduction in capital was required to complete the transfer of Quilter Investors Portfolio Management Limited from Caerus Holdings to Quilter plc on 1 January 2020.

14 RELATED PARTY TRANSACTIONS

Outstanding balances are unsecured and interest free, and payable on demand. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2019 the Company has not made any provision for doubtful debt relating to amounts owed by related parties (2018: £nil).

During the year, there was no waiver of amounts due from trading subsidiaries (2018: £nil).

Year end balances for related party transactions are as follows:

	2019 £'000	2018 £'000
Caerus Holdings Limited	(4,449)	(4,129)
Caerus Wealth Limited	293	363
Caerus Wealth Solutions Limited	(15)	13
Quilter Investors Portfolio Management Limited	-	(191)
Quilter Financial Limited	341	69
Quilter plc*	190	238
	<u>(3,640)</u>	<u>(3,637)</u>

Where not stated above, there have been no other related party transactions with other Quilter Group companies.

* Current tax receivable in respect of tax losses surrendered to Quilter plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

15 CATEGORIES OF FINANCIAL INSTRUMENTS

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 Financial Instruments is set out in the following tables. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

For information about the methods and assumptions used in determining fair value please refer to note 2. The Company's exposure to various risks associated with financial instruments is discussed in note 16.

At December 2019

					£'000
Measurement basis	Fair value		Amortised cost	Non-financial assets and liabilities	Total
	Mandatorily at FVTPL	Designated at FVTPL			
Assets					
Trade, other receivables and other assets	-	-	953	-	952
Cash and cash equivalents	-	-	11	-	11
Other non-financial assets	-	-	-	6,478	6,478
Total financial assets	-	-	964	6,478	7,442
Total other non-financial assets	-	-	-	-	-
Total Assets	-	-	964	6,478	7,442
Liabilities					
Trade, other payables and other liabilities	-	-	4,592	-	4,592
Total financial liabilities	-	-	4,592	-	4,592
Total other non-financial liabilities	-	-	-	-	-
Total Liabilities	-	-	4,592	-	4,592

At 31 December 2018

Measurement basis	Fair value		Amortised cost	Non-financial assets and liabilities	£'000
	Mandatorily at FVTPL	Designated at FVTPL			Total
Assets					
Trade, other receivables and other assets	-	-	764	-	764
Cash and cash equivalents	-	-	8	-	8
Other non-financial assets	-	-	-	6,478	6,478
Total financial assets	-	-	772	6,478	7,250
Total other non-financial assets	-	-	-	-	-
Total Assets	-	-	772	6,478	7,250
Liabilities					
Trade, other payables and other liabilities	-	-	4,320	80	4,400
Total financial liabilities	-	-	4,320	80	4,400
Total other non-financial liabilities	-	-	-	-	-
Total Liabilities	-	-	4,320	80	4,400

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

16 MAXIMUM EXPOSURE TO CREDIT RISK

The tables below represents the Company's maximum exposure to credit risk. The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

	Credit rating relating to financial assets that are neither past due nor impaired									£'000
At 31 December 2019	AAA	AA	A	BB	<BBB	Internally rated	Included through consolidation of funds	Carrying value held for sale	Less: Carrying amount classified as held for sale	Carrying value
Assets subject to the 12 month ECL model										
Cash and cash equivalents	-	-	-	11	-	-	-	-	-	11
Other receivables	-	-	-	-	-	953	-	-	-	953
Total	-	-	-	-	-	953	-	-	-	964

	Credit rating relating to financial assets that are neither past due nor impaired									£'000
At 31 December 2018	AAA	AA	A	BB	<BBB	Internally rated	Included through consolidation of funds	Carrying value held for sale	Less: amount classified as held for sale	Carrying value
Assets subject to the 12 month ECL model										
Cash and cash equivalents	-	-	-	-	-	8	-	-	-	8
Other receivables	-	-	-	-	-	764	-	-	-	764
Total	-	-	-	-	-	772	-	-	-	772

17 EVENTS AFTER THE REPORTING DATE

A sale and purchase agreement transferring the ownership of Quilter Investors Portfolio Management Limited from Caerus Holdings Limited to Quilter plc became effective on 1 January 2020.

In early 2020, the existence of the new COVID-19 was confirmed which has since spread across a significant number of countries, leading to the disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

18 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent company is Quilter Financial Planning Limited, a company registered in England and Wales, and the ultimate parent company is Quilter plc, a company registered in England and Wales.

The Company's financial statements are consolidated within the financial statements of Quilter plc, which are available from:

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