

NEWS RELEASE



10 August 2022

Quilter plc interim results for the six months ended 30 June 2022

Stable revenue and cost discipline drive 9% increase in adjusted profit

Management basis - Continuing business (excluding Quilter International for comparative data)

- Assets under Management and Administration ("AuMA") of £98.7 billion at the end of June 2022, a decrease of 12% from 31 December 2021 (£111.8 billion) principally due to adverse market movements of £14.5 billion and:
 - Quilter Investment Platform net inflows of £1.6 billion (H1 2021: £1.8 billion) representing 4% of opening AuMA (H1 2021: 6%), reflecting an industry wide slowdown in new client flows during the second quarter.
 - Quilter channel flows onto the Quilter Investment Platform of £954 million up 10% on the £868 million achieved in 2021.
 - Quilter High Net Worth net inflows of £0.5 billion (H1 2021: £0.4 billion) representing 3% of opening AuMA (H1 2021: 4%).
 - Net outflows of £0.6 billion (H1 2021: net outflows £0.3 billion) of assets held on third party platforms reflecting non-core, legacy business in run off and transition of assets advised by Quilter Financial Planning on other platforms to the Quilter Investment Platform.
 - Leading to Group net inflows of £1.4 billion for the first half (H1 2021: 2.0 billion).
- Flat revenues and cost discipline drove a 9% increase in adjusted profit before tax to £61 million (H1 2021: £56 million).
- Improved operating margin of 20% (H1 2021: 18%), reflecting stable revenues and a reduction in expenses of 2% through lower FSCS levies and tight control of costs despite the inflationary environment and the return to more normalised investment spend post-pandemic.
- Adjusted diluted earnings per share decreased 5% to 3.7 pence (H1 2021: 3.9 pence), reflecting a more normal tax rate (as a result of the non-repetition of a deferred tax credit in the first half of 2021) partially offset by a reduced share count following completion of our capital return programme.
- Interim dividend of 1.2 pence per share unchanged on 2021 (excluding the contribution from Quilter International).

Statutory results

- IFRS profit before tax attributable to equity holders from continuing operations of £182 million (H1 2021: £(21) million), largely driven by policyholder tax credits of £145 million (H1 2021: tax charge £(48) million). This income tax credit/(charge) can vary significantly period-on-period as a result of market volatility and the impact this has on policyholder tax.
- Negotiations concluded with the insurers who provided professional indemnity cover for Lighthouse resulting in the payment of the full amount due under the policy of £15 million, including amounts received since the period end, with the benefit of this excluded from adjusted profit. Net cost of post-acquisition Lighthouse remediation totals £12 million.
- Basic earnings/(loss) per share from continuing operations of 11.3 pence (H1 2021: (0.9) pence).
- Diluted earnings/(loss) per share from continuing operations of 11.2 pence (H1 2021: (0.9) pence).
- Solvency II ratio of 219% after payment of the interim dividend (December 2021: 275%).

Strategic progress

- Significant expansion of our successful WealthSelect managed portfolios, with a simpler charging structure. We now offer a full spectrum of portfolios to cover clients' risk, investment preferences with an ESG overlay.
- Good progress building incremental platform flows from targeted IFA firms with 80 adviser firms adopting Quilter as a platform of choice during the period and contributing to incremental gross inflows.
- Continued build out of our integrated advice and investment proposition in the High Net Worth segment, with eight additional investment managers added since June 2021.
- Good initial progress with our £45 million Business Simplification programme, with annualised run-rate savings of £13 million achieved to date.
- Completion, in January 2022, of the £375 million share buyback programme from the Quilter Life Assurance sale proceeds. Since the programme's inception, 264 million shares were purchased at an average price of 141.97 pence per share.
- £328 million capital return in June 2022, (20 pence per share) through B share scheme accompanied by a 6 for 7 share consolidation to return the net surplus proceeds from the sale of Quilter International to shareholders.

Paul Feeney, Chief Executive Officer, said:

"Operating conditions in the first six months of 2022 have been challenging. Global equity markets have experienced one of the worst periods of negative performance in recent years and traditional 60:40 multi-asset portfolios have had their largest negative year-to-date return on record. In that context, our overall AuMA has been relatively resilient, down 12% to £98.7 billion on the December 2021 level. Despite the market volatility, we generated net inflows of £1.6 billion (H1 2021: £1.8 billion) on the Quilter Investment Platform and a further £0.5 billion of net inflows (H1 2021 £0.4 billion) through our High Net Worth segment, modestly reducing the negative mark-to-market and third party platform net outflow impacts.

"Against this backdrop we delivered a 9% increase in our adjusted profit in the first half of 2022. Our focus remains on managing our business towards the targets set out at our Capital Markets Day last November, although an absence of an improvement in market levels and investor sentiment over the remainder of this year and 2023 may impact on the timing of delivery. My priorities continue to be growth in the IFA and Quilter adviser franchises, cost discipline to deliver a right-sized cost base for the new streamlined Quilter, investing for future growth through initiatives such as hybrid advice, and embedding ESG into the services we provide for clients and tools we provide for advisers".

Quilter highlights from continuing operations ¹	H1 2022	H1 2021
Assets and flows		
AuMA (£bn) ^{2, 5}	98.7	106.4
Gross flows (£bn) ^{2, 5}	5.9	6.7
Net inflows (£bn) ^{2, 5}	1.4	2.0
Net inflows/opening AuMA ²	3%	4%
Gross flows per adviser (£m) ^{2, 3}	2.4	2.4
Asset retention ³	92%	91%
Profit and loss		
IFRS profit/(loss) before tax attributable to equity holders (£m) ²	182	(21)
IFRS profit/(loss) after tax (£m)	151	(13)
Adjusted profit before tax (£m) ²	61	56
Operating margin ²	20%	18%
Revenue margin (bps) ²	47	48
Return on equity ²	5.9%	7.3%
Adjusted diluted earnings per share (pence) ²	3.7	3.9
Basic earnings/(loss) per share (pence)	11.3	(0.9)
Non-financial		
Restricted Financial Planners ("RFPs") in Affluent segment ⁴	1,512	1,639
Discretionary Investment Managers in High Net Worth segment ⁴	176	168
Quilter Private Client RFPs in High Net Worth segment ⁴	55	62

¹Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in H1 2021 was £29 million. Adjusted diluted EPS from Quilter International in H1 2021 was 1.9 pence per share.

²Alternative Performance Measures ("APMs") are detailed and defined on pages 4 to 6.

³Gross flows per adviser is a measure of the value created by our Quilter distribution channel.

⁴Closing headcount as at 30 June.

⁵H1 2021 asset and flow comparators have been restated to exclude amounts relating to Quilter International to align with information presented at the Company's Capital Markets Day on 3 November 2021 and its fourth quarter trading statement 2021 on 26 January 2022.

Adjusted profit presented in this announcement

Adjusted profit is presented in this announcement in a number of ways to provide readers with a view of adjusted profit for the Group excluding Quilter International (on a continuing basis) and for the total Group (on a continuing and discontinued basis). A full reconciliation of these views is provided on page 16 and definitions of adjusted profit are explained on page 4.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 6. In the headings and tables presented from page 11 onwards, these measures are indicated with an asterisk: *.

Quilter plc results for the six months ended 30 June 2022

Investor Relations

John-Paul Crutchley	UK	+44 77 4138 5251
Keilah Codd	UK	+44 77 7664 9681

Media

Tim Skelton-Smith	UK	+44 78 2414 5076
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Camarco

Geoffrey Pelham-Lane	UK	+44 77 3312 4226
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Paul Feeney, CEO, and Mark Satchel, CFO, will host a presentation and Q&A session via webcast at 08:30am (BST) today, 10 August 2022.

The presentation will be webcast live and is available via our website: [2022 results and presentations | Quilter plc](#)

A conference call facility will also be available should you wish to join by telephone:

United Kingdom / Other	+44 333 300 0804
South Africa	+27 21 672 4118
United States	+1 631 913 1422
Access Code	11389415#

Note: Neither the content of the Company's website nor the content of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.

Disclaimer

This announcement may contain certain forward-looking statements with respect to Quilter plc's plans and its current goals and expectations relating to its future financial condition, performance, and results.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Quilter plc's control including amongst other things, international and global economic and business conditions, the implications and economic impact of the COVID-19 pandemic, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Quilter plc and its affiliates operate. As a result, Quilter plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Quilter plc's forward-looking statements.

Quilter plc undertakes no obligation to update the forward-looking statements contained in this announcement or any other forward-looking statements it may make.

Alternative Performance Measures

We assess our financial performance using a variety of alternative performance measures ("APMs"). APMs are not defined under IFRS, but we use them to provide further insight into the financial performance, financial position and cash flows of the Group and the way it is managed.

APMs should be read together with the Group's condensed consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 32 to 36.

Further details of APMs used by the Group in its Financial review are provided below.

APM	Definition
Adjusted profit before tax	Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature, as detailed on page 41 in the condensed consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax. Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results. Adjusted profit before tax is presented for the continuing Group (excluding Quilter International), for discontinued operations (Quilter International), and for the total Group for continuing and discontinued operations. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 16 of the Financial review. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained on page 12. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 5(c) to the condensed consolidated financial statements on page 44.
Adjusted profit after tax	Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.
Adjusted profit before tax after reallocation	Adjusted profit before tax after reallocation reflects adjusted profit before tax including certain costs within continuing operations relating to Quilter International that did not transfer to Utmost Group on completion of the sale, as detailed above. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax after reallocation is provided in note 5(c) to the condensed consolidated financial statements on page 44.
IFRS profit before tax attributable to equity holders	IFRS profit before tax attributable to equity holders represents the profit after policyholder tax ('tax attributable to policyholder returns') but before shareholder tax ('tax attributable to equity holders'). The tax charge for the Group's UK life insurance entity, Quilter Life & Pensions Limited, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the Group, in that it is based on the return on assets held by the Group's life insurance entity to match against related unit-linked liabilities in respect of clients' policies, and for which the Company charges fees to clients. As such, policyholder tax can be a charge or credit in any period depending on underlying market movements on those assets held to cover linked liabilities. Shareholder tax is the remaining tax after deducting policyholder tax and is more reflective of the profitability of the entity. This metric is included on the face of the Group's income statement on page 32 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 5(a) to the condensed consolidated financial statements.

Revenue margin (bps)	Revenue margin represents net management fees, divided by average AuMA. Management use this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 12 of the Financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net fee revenue. Management use this APM as this is an efficiency measure that reflects the percentage of total net fee revenue that becomes adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained in the adjusted profit section on page 12.
Gross flows	Gross flows are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross flows are referred to in the Financial review on page 12 and disclosed by segment in the supplementary information on pages 24 to 25.
Net flows	Net flows is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is a lead indicator of total net fee revenue. Net flows is referred to throughout this document, with a separate section in the Financial review on page 12 and is presented by business and segment in the supplementary information on pages 24 to 25.
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. AuMA is referred to throughout this document, with a separate section in the Financial review on page 12 and is presented by business and segment in the supplementary information on pages 24 to 25.
Average AuMA	Average AuMA represents the average total market value of all financial assets managed and administered on behalf of customers. Average AuMA is calculated using a 7-point average (half year) and 13-point average (full year) of monthly closing AuMA.
Total net fee revenue	Total net fee revenue represents revenue earned from net management fees and other revenue listed below and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 13 of the Financial review and note 5(c) in the condensed consolidated financial statements.
Net management fees	Net management fees consist of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees are a part of total net fee revenue and is a key input into the Group's operating margin. Further information on net management fees is provided on page 13 and note 5(c) in the condensed consolidated financial statements.
Other revenue	Other revenue represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees). Other revenue is a part of total net fee revenue, which is included in the calculation of the Group's operating margin. Further information on other revenue is provided on page 13 and note 5(c) in the condensed consolidated financial statements.

Operating expenses	Operating expenses represent the costs for the Group, which are incurred to earn total net fee revenue and excludes the impact of specific items that management considers to be outside of the Group's normal operations or one-off in nature. Operating expenses are included in the calculation of adjusted profit before tax and impact the Group's operating margin. A reconciliation of operating expenses to the applicable IFRS line items is included in note 5(c) to the condensed consolidated financial statements, and the adjusting items excluded from operating expenses are explained in note 5(b). Operating expenses are explained on page 14 of the Financial review.
Cash generation	Cash generation is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book. Cash generation is explained on page 17 of the Financial review.
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the AuMA during the period as a percentage of opening AuMA. Asset retention is calculated as: $1 - (\text{annualised gross outflow} / \text{opening AuMA})$. Asset retention is provided for the Group on page 11, and by segment on page 27.
Net inflows/opening AuMA	This measure is calculated as total net flows annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 2.
Gross flows per adviser	Gross flows per adviser is a measure of the value created by our Quilter distribution channel and is an indicator of the success of our multi-channel business model. Gross flows per adviser is calculated as gross flows generated by the Quilter channel through the Quilter Investment Platform, Quilter Investors or Quilter Cheviot (annualised) per average Restricted Financial Planner in both segments. Gross flows per adviser is provided on pages 2, 11 and 12.
Return on Equity ("RoE")	Return on equity calculates how many pounds of profit the Group generates from continuing operations with each pound of shareholder equity. This measure is calculated as adjusted profit after tax divided by average equity. Equity is adjusted for the impact of discontinued operations, if applicable. Return on equity is provided on page 2.
Adjusted diluted earnings per share	Adjusted diluted earnings per share represents the adjusted profit earnings per share, calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 54 and note 8 in the condensed consolidated financial statements. A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, is shown in note 8 to the condensed consolidated financial statements. Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the Financial review on page 14.
Headline earnings per share	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 <i>Headline Earnings</i>. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 8 of the condensed consolidated financial statements.

Chief Executive Officer's statement

Since Quilter listed just over four years ago, we have successfully transformed our business to be a simpler, more focused client centric organisation while responding to a number of external challenges including:

- the market and broader political uncertainty following the Brexit referendum;
- the COVID-19 pandemic and its consequences from both a health and social perspective as well as the changes it has brought to our working practices; and
- geopolitical uncertainty which has manifested both through rising tensions between global superpowers over the last few years and, more directly, this year through the war in Ukraine with its huge humanitarian cost. We have all felt the broader consequences of this through increased oil prices and concerns over food sufficiency driving sharply higher inflation which has led to a global tightening of monetary policy and a "cost of living" crisis.

This year global equity markets have experienced one of the worst periods of negative performance in recent years. While the UK has been perceived as an outperformer with the FTSE 100 'only' down 3% over the same period, in contrast the FTSE 250 and the FTSE AIM 100 both declined 20% and 25% respectively in the six months to end June 2022.

Moreover, the traditional 60:40 multi-asset portfolio mix, a bedrock of retirement planning, delivered the largest negative year-to-date return on record as falling equity markets coupled with rising bond yields led to both lower bond and equity portfolio valuations. Our multi-asset portfolios are not constrained in this manner and include liquid alternatives. This allows us to diversify beyond equities and bonds. Some of our managers were able to implement value biases in their portfolios, which has also proved useful. We also use cash tactically and the majority of Quilter Investors' assets performed well as they were defensively positioned. Overall AuMA, declined 12% to £98.7 billion from 31 December 2021.

The first half of 2022 brought a tough operating environment, probably the most challenging we have faced since Listing, but we have delivered a good first half financial performance this year. What differentiates Quilter at times like these is how we respond and the opportunities we seize.

Our focus remains resolutely on both growing and simplifying our business, improving business efficiency, and serving and supporting our two core customer groupings in all market conditions. Notable strategic achievements in the first six months of the year include:

- significant expansion of our WealthSelect managed portfolios, which introduced a simpler charging structure and increased the number of portfolios to cover both risk appetite, investment style and ESG preferences. These portfolios, together with two new tools (client profiler and solution explorer), allow advisers to incorporate clients' ESG preferences when determining the most appropriate investment solution;
- the build out of our combined advice and investment proposition in the High Net Worth segment which is already bearing fruit with net inflows from the Quilter channel remaining strong;
- the acceleration of cost savings from our £45 million Business Simplification programme;
- building on the operational emissions reduction targets announced in Q1, we commenced the wider development of our Climate Action Plan, which will outline how we will seek to align our business operations, value chain and investment activity with science-based emissions reduction targets; and
- the launch of our inclusion and diversity plan.

Separately, I was also delighted to complete the £328 million capital return to shareholders following the sale of Quilter International to Utmost Group in November 2021.

Business performance

Given the market context, we are pleased with the 9% higher out turn in adjusted profit before tax of £61 million (H1 2021: £56 million). Despite revenue headwinds, our cost discipline delivered positive operating leverage and a solid P&L outturn in an environment where costs were naturally higher than 2021 as we emerged from the pandemic.

Average AuMA, the principal driver of net management fee revenue, for the period of £105.3 billion is modestly ahead of £101.7 billion in the first half of 2021. The decline in markets over the course of the first half of 2022 took our end-June AuMA below the end June 2021 level. Unless markets recover, this will provide a headwind to our second half revenues relative to the second half of 2021 when markets continued to rise from the end-June 2021 reference point.

Total net fee revenue of £303 million decreased by £1 million. The modestly higher average AuMA base was offset by a small mix-related decline in revenue margins. The repositioning of our advice business since the beginning of 2021 contributed to lower other revenues reflecting the decline in advisers over the course of 2021, coupled with a reduced contribution from mortgage and protection fees.

Despite heightened cost inflation pressures, we managed operating expenses down £6 million in the first half as we adjusted to the market environment. This took the cost base to £242 million, with an £8 million reduction in the base costs of running the business to £112 million (H1 2021: £120 million). An increase in variable costs reflected investment in the business and higher development spend relative to subdued pandemic levels in the prior period. We also enjoyed the benefit of lower FSCS levies due to the surplus carried forward from last year. Positive operating leverage demonstrates our cost discipline has been maintained despite the inflationary pressures across the business.

Our operating margin improved to 20% (H1 2021: 18%). Markets' performance in the second half of 2021 helped support a strong operating margin outcome for 2021. Should market levels remain around current levels, we expect the full-year operating margin to be lower than the level achieved in 2021. We remain committed to our stated 2023 and 2025 operating margin targets but note current market levels provide a meaningful headwind. Without an improvement in market levels in the remainder of this year and over the course of 2023, this may delay achievement of these targets.

The Group's IFRS profit after tax from continuing operations was £151 million, compared to a loss of £13 million for H1 2021. The increase in profit is attributable to a policyholder tax credit of £145 million to June 2022 (H1 2021: tax charge £(48) million).

Adjusted diluted earnings per share was 3.7 pence (H1 2021: 3.9 pence), supported by a reduction in the share count from our capital return programmes, with this offset by a more normalised tax charge as the net deferred tax credit in the comparable period of 2021 did not repeat. On an IFRS basis, we delivered basic EPS of 11.3 pence versus a loss of (0.9) pence per share for the comparable period of 2021 on the same basis.

Period-end shares of 1.404 billion have declined 26% and by c.500 million shares since the beginning of 2020 reflecting the completion of our £375 million share buyback programme in early 2022 and the £328 million capital return through a B share issuance and share consolidation which completed in early June 2022.

Given the uncertain outlook, the Board considers it appropriate to declare an unchanged 2022 interim dividend at 1.2 pence per share (excluding the contribution from Quilter International in 2021). As was the case in 2020 with the uncertainty caused by the COVID-19 pandemic, the Board will make an appropriate decision on the overall dividend for the 2022 financial year when it considers the final dividend, with a view to maintaining a progression up our target pay-out range of 50% to 70%, over time.

Client flows

Supporting trusted, advice-based relationships through two distribution channels – our restricted financial advisers and open-market independent financial advisers – is at the core of the Quilter business model. It is in difficult markets that the resilience of this model becomes evident. We support our customers to ensure they are engaged with their long-term financial plan and continue to save for retirement despite the near-term vagaries of markets.

Our investment platform is central to our proposition, providing the tax efficient investment 'wrappers' to meet client needs, while linking advisers with our investment solutions and competitively priced third-party alternatives to deliver the outcomes sought by clients. Confidence in our proposition is demonstrated through both the continued attraction to our solutions by financial advisers and the increased integrated nature of net inflows.

The environment for new inflows has become more challenging over the course of the first half of the year. Up until the end of March, our net flows were broadly comparable with the same period in 2021 despite total market flows being lower, pointing to an improvement in market share in the first quarter that has been sustained in the second quarter. While we continued to enjoy net inflows throughout the second quarter, we also experienced clients stepping back from discretionary investment. As a result, gross inflows in the first half were 12% lower at £5.9 billion (H1 2021: £6.7 billion). While we experienced improved persistency in client assets across each of our businesses, the lower level of new sales volumes translated into lower net inflows which were 30% lower at £1.4 billion versus £2.0 billion in the comparable period of 2021. The main decline in net flows was recorded in outflows on external third party platforms.

The Quilter Investment Platform continued to perform well attracting £4.2 billion of new sales making it the leading platform for retail advised sales in the first half. After redemptions, this led to £1.6 billion of net inflows, while the High Net Worth segment improved on the prior period flows by delivering £0.5 billion of net inflows. Within this, the overall level of Defined Benefit ("DB") to Defined Contribution ("DC") flows at £0.2 billion were 33% lower than the comparable period of 2021 (£0.3 billion) and continue to be a decreasing proportion of our overall flows.

Our High Net Worth segment delivered better retention and stable gross sales which contributed to a strong improvement in net flows at £0.5 billion against £0.4 billion in the prior period. The Quilter Cheviot Climate Assets fund continued to make excellent progress, reaching the £400 million milestone in the period, of which c.£150 million is held on the Quilter Investment Platform within our Affluent segment. The fund's momentum underlines Quilter's ability to meet the specific wishes of clients who are increasingly seeking investments that deliver a broader out turn than just financial performance.

Investment performance

Quilter Cheviot continued to outperform relevant ARC benchmarks, remaining principally first or second quartile, to the end of March 2022, the most recent available performance period. Our investment manager headcount within the High Net Worth segment increased by 8 year on year as we continued to build out our advice and investment management capabilities.

The medium and longer-term performance of Quilter Investors' multi-asset solutions remained good. The repositioning of our managed portfolio solution, WealthSelect, has been well received by clients and advisers, attracting £378 million of net inflows in the period through the Quilter Investment Platform. WealthSelect's performance remains strong over one, three and five years and since inception seven years ago, having been predominantly first or second quartile over all periods. Cirilium Active performance remains strong on long-term metrics but, not surprisingly as a more quality growth focused proposition, its short-term performance has been weaker in these markets.

Transformation

Our transformation agenda remains firmly on track, with its focus on:

- delivering an improvement in client flows to the Quilter Investment Platform and into our investment solutions;
- repositioning our advice business through a focus on adviser productivity; and
- investment in efficiency and digital initiatives to improve productivity and client experience.

Taking each of these in turn:

A year on from the launch of our new platform, we have experienced good take-up by IFA firms who were not active users of our previous platform. As we said at our Capital Markets Day, we are targeting increased business from 700 firms over a three-year period. Thus far, we have secured commitment from 80 of these firms who have gone through their due diligence and appointed us as a platform of choice. Many have already started writing new business on our platform with this representing around 10% of our gross flows from the IFA channel this year. We are engaged in discussions with another 60 firms and are in the early stage of negotiation with a further 100 firms. This improvement reflects the broader capabilities and functionality of our new platform and provides a strong base from which we intend to accelerate flow momentum over the coming years. We also continue to make good progress in increasing usage of our new platform by Quilter Financial Planning clients given its improved functionality. This is evidenced by an improvement in Quilter channel flows onto the new platform and the reduced flows from the Quilter channel onto third party platforms.

The introduction of our new platform last year was a catalyst to drive higher adviser productivity in Quilter Financial Planning by increasingly aligning our advisers to our integrated proposition. While this led to an expected reduction in advisers over the course of 2021, the more modest reduction in the current year has been caused by challenges in the speed of recruiting external advisers into the business, while our attrition rates of advisers have normalised to pre-review levels. We have stepped up our new adviser recruitment and resourcing. Our core focus has delivered a sustained improvement in our adviser productivity, with the Quilter channel gross flows per adviser being stable at £2.4 million despite a more challenging market environment. While our work to reshape our Advice business is ongoing, we currently expect adviser numbers to stabilise and to resume growth by the end of the year.

Our Optimisation programme is now complete having achieved cost savings of more than £65 million over the three-year programme. Our second phase of efficiency initiatives, known as Business Simplification, continues to progress well. In recognition of the more challenging operating environment, we are continuously seeking opportunities to accelerate some of our identified plans to bring forward anticipated cost savings. An example achieved is the faster consolidation of our two Southampton offices into a single building which was completed earlier this year, over a year ahead of the original intended schedule.

We have continued to invest in technology to deliver better customer outcomes and experiences. In the first half, this included investing in mobile to allow Affluent customers to access our Platform via a mobile app. The technology is in beta testing with a select group of clients and, once we have gained relevant feedback, we expect to be able to commence a wider roll out later this year. Our hybrid advice investment plans are also progressing well. We are advancing our plans here and expect to move the initiative into its pilot stage in 2023.

Responsible business and stewardship

Quilter is committed to being a responsible business in the way we act and by building these principles into both our investment and advice processes.

First, in terms of how we act, we recognise the current environment is not just tough for our business, but it is also extremely challenging for our staff. Our people are our most important asset and have been magnificent over the past two years, digging deep to keep our services running and supporting our clients throughout the various COVID-19-induced lockdowns. We are putting in place additional support for our people to help them through the cost of living crisis. All employees earning £50,000 and less will receive a one-off payment of £1,200 in August 2022 at a total cost of around £4 million in the second half. We know this payment will not fully mitigate rising food and energy costs, but we hope it will go some way to ease current difficulties felt by some employees due to the strain of the increased cost of living.

We also launched our Inclusion and Diversity Action Plan earlier this year. We believe that financial services companies who fail to address systemic diversity issues within the industry will ultimately get left behind. The companies who make a concerted effort to improve employee diversity will be able to attract talented individuals, who may have previously not considered a career in our sector and Quilter will benefit as a result. Our new two-year action plan prioritises solutions with measurable impact which we will track and sustain over the long-term so we can better meet the differing needs of underrepresented groups.

Second, in terms of embedding behaviours, earlier this year we updated our matrix for our restricted network advisers to incorporate ESG ratings and specific responsible investment solutions. The new responsible and sustainable portfolios allow (alongside our two new tools: client profiler and solution explorer) advisers to take clients' ESG preferences into account in determining the most appropriate solution. We believe this approach is market leading.

Third, we continue to work closely with the skilled person review investigating the Lighthouse DB to DC transfers. Our focus remains on doing the right thing by any customers who were poorly advised, even though this advice predates our acquisition of Lighthouse. The skilled persons review is reaching its final stages and I can report we concluded negotiations with the insurers who provided professional indemnity cover for Lighthouse resulting in the payment of the full amount due under the policy of £15 million, including amounts received since the period end, with this benefit excluded from adjusted profit.

In respect of Board matters, Glyn Jones stepped down as Chair at the conclusion of the Company's 2022 Annual General Meeting, with Ruth Markland appointed as Chair and Tim Breedon assuming the role of Senior Independent Director, until such time as the permanent Chair successor was confirmed. We were delighted to welcome Glyn Barker to the Board as a Non-executive Director at the beginning of June 2022 and, subject to regulatory approval for his permanent appointment, Chair Designate.

Outlook

Quilter is well positioned in an industry with long-term secular growth prospects, and we have made further good progress in the execution of our strategy. Our focus remains on improving operational efficiency through our Business Simplification programme and driving the business towards the financial targets we set out at the November 2021 Capital Markets Day, albeit that current market levels provide a revenue headwind which may delay the achievement of our operating margin targets.

My priorities continue to be growth in the IFA and Quilter adviser franchises, cost discipline to deliver a right-sized cost base for the new streamlined Quilter, investing for future growth through hybrid advice, and embedding ESG into the services we provide for clients and tools we provide for advisers. We remain confident in our simpler, more focused, business model, our ability to improve our market share of flows through our new platform, and our prospects to deliver strong sustainable returns to shareholders through the cycle.

Paul Feeney

Chief Executive Officer

Financial review

Review of financial performance

In this section, review of financial performance, unless indicated otherwise, all results are presented excluding Quilter International in both the current year and prior year comparative, following its sale to Utmost Group in November 2021.

Alternative Performance Measures (“APMs”)

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 6. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

Quilter highlights from continuing operations ¹	H1 2022	H1 2021
Assets and flows		
AuMA* (£bn) ^{2, 5}	98.7	106.4
Of which Affluent	74.2	79.6
Of which High Net Worth	25.2	27.0
Inter-segment dual assets	(0.7)	(0.2)
Gross flows* (£bn) ^{2, 5}	5.9	6.7
Of which Affluent	4.8	5.3
Of which High Net Worth	1.3	1.4
Inter-segment dual assets	(0.2)	0.0
Net inflows* (£bn) ^{2, 5}	1.4	2.0
Of which Affluent	1.0	1.6
Of which High Net Worth	0.5	0.4
Inter-segment dual assets	(0.1)	0.0
Net inflows/opening AuMA* ²	3%	4%
Gross flows per adviser* (£m) ^{2, 3}	2.4	2.4
Asset retention* ³	92%	91%
Profit and loss		
IFRS profit/(loss) before tax from continuing operations attributable to equity holders* (£m) ²	182	(21)
IFRS profit/(loss) after tax from continuing operations (£m)	151	(13)
Adjusted profit before tax* (£m) ²	61	56
Operating margin* ²	20%	18%
Revenue margin* (bps) ²	47	48
Return on equity* ²	5.9%	7.3%
Adjusted diluted EPS* from continuing operations (pence) ²	3.7	3.9
Basic earnings/(loss) per share from continuing operations (pence)	11.3	(0.9)
Non-financial		
Restricted Financial Planners (“RFPs”) in Affluent segment ⁴	1,512	1,639
Discretionary Investment Managers in High Net Worth segment ⁴	176	168
Quilter Private Client RFPs in High Net Worth segment ⁴	55	62

¹Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in H1 2021 was £29 million. Adjusted diluted EPS from Quilter International in H1 2021 was 1.9 pence per share.

²Alternative Performance Measures (“APMs”) are detailed and defined on pages 4 to 6.

³Gross flows per adviser is a measure of the value created by our Quilter distribution channel.

⁴Closing headcount as at 30 June.

⁵H1 2021 asset and flow comparators have been restated to exclude amounts relating to Quilter International to align with information presented at the Company's Capital Markets Day on 3 November 2021 and its fourth quarter trading statement 2021 on 26 January 2022.

Overview

The Group's financial performance was resilient for the first six months of the year in light of the volatile market environment, with adjusted profit before tax up 9% to £61 million (H1 2021: £56 million). This reflected stable revenues and a disciplined focus on cost control as we regain momentum following the pandemic and a reduction in FSCS levies. Global equity markets were down for the first six months of the year, with the FTSE 100 down 3%, MSCI World Index (GBP) down 12%, PIMFA Private Investor Balanced (Net) down 9%, and Russell 1000 down 22% from the closing 2021 index levels. The UK's rate of inflation hit a new 40-year high, with corporate bond markets adversely affected by rising rates: the Bloomberg Global Aggregate Bond index fell 10% from closing 2021 levels. The Group's AuMA ended the period at £98.7 billion, a 12% decrease from the opening position at the start of 2022, resulting from £14.5 billion of negative market movements more than offsetting net inflows of £1.4 billion.

Net inflows of £1.4 billion for the period were down 30% on the prior period (H1 2021: £2.0 billion), impacted by a dampening in investor sentiment in light of the volatile global markets and a weakening macro-economic environment. The net inflows are stated inclusive of net outflows arising from assets on third party platforms of £0.6 billion (H1 2021: £0.3 billion). Gross flows for the Group were 12% lower than the prior period at £5.9 billion (H1 2021: £6.7 billion), primarily as a result of lower flows into the Affluent segment due to lower adviser gross sales as investor sentiment weighed on client's propensity to invest. As a consequence, net inflows as a percentage of opening AuMA was 3% (H1 2021: 4%). Detailed analysis of net inflows by business segment is shown in the Supplementary Information section of this announcement.

- **The Affluent segment's** net inflows of £1.0 billion were down 38% on the prior period (H1 2021: £1.6 billion) due to c.£0.2 billion lower net inflows in the Quilter Investment Platform against a strong prior period comparative, and net outflows of £0.6 billion (H1 2021: net outflows of £0.3 billion) in assets managed by Quilter solutions on third-party platforms in relation to legacy and closed books of business. Net inflows of £1.6 billion onto the Quilter Investment Platform were down 11% (H1 2021: £1.8 billion), with lower sales in the IFA channel as the prior period experienced strong inflows following the completion of the Platform Transformation Programme and as investor confidence improved as national lockdown restrictions eased. Lower IFA channel flows were offset in the period by an increase in net inflows in the Quilter distribution channel where the Platform is winning a greater share of restricted sales, weighted towards pensions, and we have established a simplified procedure to allow us to accelerate back book transfers. Gross flows on the Quilter Investment Platform of £4.2 billion (H1 2021: £4.5 billion) were 7% lower as clients reacted to the macro environment. Pension and ISA product sales comprise £3.1 billion (H1 2021: £3.3 billion) of the Quilter Investment Platform gross flows of £4.2 billion, reflecting a similar proportion of overall sales in comparison to the prior period.
- **The High Net Worth segment** recorded net inflows of £0.5 billion which were up 25% from the prior period (H1 2021: £0.4 billion). Gross inflows of £1.3 billion were marginally down on H1 2021 of £1.4 billion, offset by lower outflows on the prior period. This is reflected in improved persistency at 94% versus 92% in H1 2021.

Quilter channel gross flows per adviser* were stable at £2.4 million for the period (H1 2021: £2.4 million). Total average RFP's for both segments combined have decreased 9% in H1 2022 to 1,603 (H1 2021: 1,765).

The Group's AuMA ended the period at £98.7 billion, down 12% from the opening position at the start of 2022 (FY 2021: £111.8 billion), due to the fall in global equity and bond indices. The Affluent segment AuMA of £74.2 billion decreased by 11% (FY 2021: £83.3 billion) of which £24.5 billion is managed by Quilter, down on the opening position at the start of 2022 (FY 2021: £27.4 billion). High Net Worth's AuM was £25.2 billion, down 12% from opening 2022 (FY 2021: £28.7 billion), with all assets managed by Quilter. In total, £49.5 billion of AuMA is managed by Quilter across the Group (FY 2021: £56.1 billion).

The Group's revenue margin of 47 bps was 1 bp lower than the prior period (H1 2021: 48 bps). For assets administered within the Affluent segment, the revenue margin decreased by 1 bp to 26 bps (H1 2021: 27 bps) as a result of higher average AuMA leading to more clients moving into lower revenue margin tiers as the value of their investments increase. Similarly, for assets managed in the Affluent segment, the revenue margin decreased by 1 bp to 47 bps (H1 2021: 48 bps) as a result of anticipated mix shifts in underlying assets towards lower margin products. Within the High Net Worth segment, the revenue margin of 70 bps decreased from the prior period by 2 bps (H1 2021: 72 bps) as a result of the expected reduction of non-recurring revenue from commission and contract charges, and the impact of tiered fee structures on higher average AuM.

Adjusted profit before tax increased by 9% to £61 million (H1 2021: £56 million). Higher net management fees of £245 million (H1 2021: £242 million) were a result of higher average AuMA period on period (H1 2022: £105.3 billion compared to H1 2021: £101.7 billion) offset by lower other revenue of £58 million (H1 2021: £62 million), due to lower mortgage and protection new business levels and lower adviser headcount. Operating expenses in H1 2022 were £242 million, 2% lower than the prior period (H1 2021: £248 million), primarily due to cost discipline and a decrease in FSCS levies. The Group's operating margin increased to 20% (H1 2021: 18%), driven by the reduction in operating expenses.

The Group's IFRS profit after tax from continuing operations was £151 million, compared to a loss of £13 million for H1 2021. The increase in profit is attributable to policyholder tax credits of £145 million to June 2022 (H1 2021: tax charge £(48) million).

Adjusted diluted earnings per share for continuing operations decreased 5% to 3.7 pence (H1 2021: 3.9 pence), due to reduced adjusted profit after tax as a result of the non-repetition of the benefit from a deferred tax credit in 2021.

Financial performance by segment

Financial performance from continuing operations H1 2022 (£m)	Affluent	High Net Worth	Head Office	Continuing operations
Net management fee*	151	94	-	245
Other revenue*	42	14	2	58
Total net fee revenue*	193	108	2	303
Operating expenses*	(146)	(85)	(11)	(242)
Adjusted profit before tax*	47	23	(9)	61
Tax				(11)
Adjusted profit after tax*				50
Operating margin (%)*	24%	21%		20%
Revenue margin (bps)*	38	70		47

Financial performance from continuing operations H1 2021 (£m)	Affluent	High Net Worth	Head Office	Continuing operations
Net management fee*	149	93	-	242
Other revenue*	50	12	-	62
Total net fee revenue*	199	105	-	304
Operating expenses*	(155)	(79)	(14)	(248)
Adjusted profit before tax*¹	44	26	(14)	56
Tax				1
Adjusted profit after tax*				57
Operating margin (%)*	22%	25%		18%
Revenue margin (bps)*	39	72		48

¹Total adjusted profit before tax including Quilter International for H1 2021: £85 million. See note 5(a) to the condensed consolidated financial statements on page 41.

Total net fee revenue*

The Group's total net fee revenue of £303 million (H1 2021: £304 million), is broadly unchanged on the prior period. Net management fee revenue is up 1% on that of the prior period due to the higher average Group AuMA of £105.3 billion (H1 2021: £101.7 billion). The blended revenue margin for the Group, calculated in reference to net management fees, marginally decreased by 1 bp to 47 bps.

Total net fee revenue for Affluent was £193 million, down 3% from the prior year (H1 2021: £199 million). Net management fees of £151 million were marginally ahead of the prior period due to the impact of higher average AuMA which increased by 4% to £78.8 billion in H1 2022. Other revenue predominantly reflects revenue generated from the provision of advice within Quilter Financial Planning. Within the revenue generated by advice, mortgage and protection, recurring charges and fixed fees were at lower levels than the prior period due to lower markets and lower average adviser headcount.

Total net fee revenue in High Net Worth was £108 million for the period, up 3% from the prior period (H1 2021: £105 million). This was principally driven by higher average AuM which increased by 5% to £27.0 billion, partially offset by an expected reduction in commission revenue as the proportion of clients on fee-only propositions continues to increase. Other revenue predominantly reflects the revenue generated from Quilter Private Client Advisers which was at similar levels to those of H1 2021. Within Quilter Cheviot, other revenue was up £3 million (H1 2021: £nil) due to fees generated from clients' cash assets as a result of the rise in UK interest rates.

Operating expenses*

Operating expenses decreased by £6 million to £242 million (2021: £248 million) despite the obvious pressures of a higher UK inflationary environment and more normalised level of investment spend which was suppressed during 2021 due to the pandemic. The Group continues to exercise cost discipline with a particular focus on managing discretionary spend in the wider context of inflationary pressures in the global economy and suppressed market conditions. In H1 2022, the Group incurred lower FSCS levies and regulatory fees (an overall reduction of £10 million) compared to the prior period primarily as a result of updated FSCS levy guidance from the FCA for 2022/23.

Operating expense split (£m)	H1 2022	As a percentage of revenues	H1 2021	
	Continuing operations		Continuing operations	As a percentage of revenues
Support staff costs	58		63	
Operations	9		13	
Technology	14		16	
Property	16		15	
Other base costs ¹	15		13	
Sub-total base costs	112	37%	120	39%
Revenue-generating staff base costs	49	16%	46	15%
Variable staff compensation	39	13%	39	13%
Other variable costs ²	26	9%	17	6%
Sub-total variable costs	114	38%	102	34%
Regulatory/professional indemnity costs	16	5%	26	9%
Operating expenses*	242	80%	248	82%

¹Other base costs includes depreciation and amortisation, audit fees, shareholder costs, listed Group costs and governance.

²Other variable costs includes FNZ costs, development spend and corporate functions variable costs.

Support staff costs decreased by 8% to £58 million (2021: £63 million) driven by transformation programmes continuing to deliver sustainable benefits.

Operations costs decreased by 31% to £9 million (H1 2021: £13 million), reflecting the move to the outsourced operations model within the Quilter Investment Platform for the full period in 2022, and a simpler operational base following the business divestments made in preceding years.

Technology costs decreased by 13% to £14 million (H1 2021: £16 million). Technology costs reduced as a result of continuing transformation activity, cessation of dual running activity following the completion of the Platform Transformation Programme, and the consolidation of contracts following the sale of Quilter International.

Property costs increased by 7% to £16 million (H1 2021: £15 million) driven by an increase in operating costs as a result of higher occupancy post-pandemic, and inflationary increases arising from providing property management infrastructure, such as heating and electricity.

Other base costs increased by 15% to £15 million (H1 2021: £13 million) driven by increased depreciation charges following the completion of capital projects in the property portfolio.

Revenue-generating staff base costs increased by 7% to £49 million (H1 2021: £46 million) principally as a result of the build out of the combined advice and investment proposition in the High Net Worth segment, and the increase in the number of discretionary investment managers.

Variable staff compensation remained stable at £39 million (H1 2021: £39 million). Reductions in share based-payment accruals following global equity market falls experienced in the first 6 months of 2022 is offset by increased short-term compensation accruals reflecting inflationary base salary increases and improved business performance versus that of the prior period.

Other variable costs increased by 53% to £26 million (H1 2021: £17 million) principally driven by operating expenses associated with the new platform, which are partially offset by decreases in base costs, and increases in development spend as we regain momentum following the deferral of change activity during the pandemic.

Regulatory and insurance charges decreased by 38% to £16 million (H1 2021: £26 million) largely driven by the reduced FSCS levy for 2022/23. This decrease across the industry, while welcomed, is unlikely to be sustained in future years as part of the decrease reflects the FSCS levy for the industry carrying forward a surplus from 2021 following significant increases in the levy over the past few years.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax for H1 2022 was 18% (H1 2021: (2)%). The Group's ETR is not materially different from the UK corporation tax rate of 19%. The Group's ETR is dependent on a number of factors, including future changes in the UK corporation tax rate.

The Group's IFRS income tax expense for H1 2022 was a credit of £114 million (H1 2021: charge of £(40) million). The income tax expense or credit can vary significantly year-on-year as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 16 and in note 5(b) of the consolidated financial statements.

Earnings Per Share ("EPS")

Following the £328 million return of capital, a share consolidation was completed so that comparability between the market price for Quilter Ordinary Shares before and after the implementation of the B share scheme was maintained.

New Ordinary Shares were issued for existing Ordinary Shares in a ratio of six new shares of 8 1/6 pence each for seven existing shares of 7 pence each resulting in a reduction in the numbers of shares by 234 million. The prior period average number of shares have been restated following the share consolidation, in line with IAS33.

For H1 2022, basic EPS relating to the continuing business was 11.3 pence (H1 2021: (0.9) pence). The average number of shares in issue used for the basic EPS calculation was 1,342 million (H1 2021: 1,443 million), after the deduction of own shares held in Employee Benefit Trusts ("EBTs") and consolidated funds of 63 million (HY 2021: 79 million). The reduction in the number of shares in issue in the period is due to the share buyback programme, which completed in January 2022. The Share Buyback Programme completed before the share consolidation, and the unadjusted number of shares bought and cancelled over the life of the programme was 264 million.

The average number of shares in issue used for the diluted EPS calculation was 1,353 million (HY 2021: 1,479 million). This includes the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 11 million (HY 2021: 36 million). The dilutive effect of share awards has decreased due to movements in value of employee share schemes compared to the prior period.

Optimisation

In H1 2022, we successfully deployed the final delivery of our Group wide General Ledger and further consolidated our data centre, telephony and data reporting solutions within the IT estate. This work delivered £4 million of annualised sustainable cost savings in H1 2022 against the 2018 cost base. The Optimisation programme, which we announced in 2018, has now achieved its target of delivering annualised run-rate cost savings of £65 million by mid-2022, with total implementation costs since inception of £84 million. A limited amount of work on the programme remains underway, and we anticipate the total delivery cost of the programme to be no more than £87 million when it concludes at the end of 2022, below the original £91 million estimate. Further implementation costs in H2 2022 will include the final decommissioning of the legacy finance systems together with anticipated support costs.

Business Simplification

As announced at our Capital Markets Day in November 2021, our Business Simplification programme is anticipated to reduce operating costs by around £45 million by the end of 2024 on a run-rate basis, with costs to achieve expected to be £55 million. In H1 2022 we started to simplify Quilter's structures and organise ourselves to support our two segments, Affluent and High Net Worth, with further work planned into 2024. During the period we also delivered early simplification benefits related to our property strategy and technology estate enabled by the completion of the Platform Transformation Programme and sale of Quilter International. To date the programme has delivered £13 million of annualised run-rate cost savings with an implementation cost of £12 million.

Lighthouse DB pension transfer advice provision

As reported in the Group's 2021 Annual Report, a provision was recognised in relation to DB to DC pension transfer advice provided by Lighthouse advisers prior to Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse.

A total provision of £3 million (31 December 2021: £29 million) has been calculated for the remaining redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases which are subject to the skilled person review. This includes anticipated costs of legal and professional fees associated with the redress activity. The provision reflects the outcome of the suitability review for all cases currently identified as being in scope, redress calculations performed by the skilled person and the offers made to customers who received unsuitable advice which caused them to sustain a loss. The provision decreased by £5 million during 2022, which has been recognised as a reduction within expenses of the Group (and excluded from adjusted profit before tax), in order to reflect the results of the redress calculations performed under the skilled person review. Redress on British Steel Pension Scheme cases and other DB to DC pension transfer cases of £18 million and professional fees of £2 million were paid during the period. Payments are expected to be completed during 2022. Subject to FCA confirmation of whether any additional work is required, we anticipate the skilled person review will conclude during 2022.

Insurance coverage in relation to claims in respect of legal liabilities arising in connection with Lighthouse British Steel Pension Scheme cases has been confirmed and a portion of the proceeds received, contributing £10 million to the profit of the Group, which has also been excluded from adjusted profit before tax.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the Group on a continuing basis was £61 million (H1 2021: £56 million).

Reconciliation of adjusted profit before tax to IFRS profit/(loss) after tax £m	For the six months ended 30 June 2022			For the six months ended 30 June 2021 ³		
	Continuing operations	Discontinued operations ¹	Total	Continuing operations	Discontinued operations ¹	Total
Affluent	47	-	47	44	29	73
High Net Worth	23	-	23	26	-	26
Head Office	(9)	-	(9)	(14)	-	(14)
Adjusted profit before tax*	61	-	61	56	29	85
Reallocation of Quilter International costs	-	-	-	(5)	5	-
Adjusted profit before tax after reallocation*	61	-	61	51	34	85
Adjusting for the following:						
Impact of acquisition and disposal-related accounting	(22)	-	(22)	(23)	-	(23)
Loss on business disposals	-	(1)	(1)	-	-	-
Business transformation costs	(17)	-	(17)	(32)	-	(32)
Managed Separation costs	-	-	-	(1)	-	(1)
Finance costs	(5)	-	(5)	(5)	-	(5)
Policyholder tax adjustments	146	-	146	(4)	-	(4)
Customer remediation	15	-	15	(7)	-	(7)
Exchange rate gain (ZAR/GBP)	4	-	4	-	-	-
Total adjusting items before tax	121	(1)	120	(72)	-	(72)
Profit/(loss) before tax attributable to equity holders*	182	(1)	181	(21)	34	13
Tax attributable to policyholder returns	(145)	-	(145)	48	-	48
Income tax (expense)/credit	114	-	114	(40)	(1)	(41)
Profit/(loss) after tax²	151	(1)	150	(13)	33	20

¹Discontinued operations in 2022 relate to the increase in the Merian warranty provision on the Single Strategy Asset Management business. In 2021, discontinued operations include the results related to Quilter International.

²IFRS profit/(loss) after tax.

³The new segments replace the segments reported in the 2020 Annual Report: Advice and Wealth Management and Wealth Platforms. June 2021 comparatives have been restated as appropriate to reflect the new segmentation.

Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed on page 41 in the condensed consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.

Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results.

The impact of acquisition and disposal related accounting costs of £22 million (H1 2021: £23 million) include amortisation of acquired intangible assets. These costs remained stable on those of the prior period.

Business transformation costs of £17 million were incurred in H1 2022 (H1 2021: £32 million) consisting of:

- Business Simplification costs of £12 million (H1 2021: £nil). In H1 2022, Group simplified its structures to support the two segments, Affluent and High Net Worth, with further work planned into 2024. During the period we also delivered early simplification benefits related to our property strategy and technology estate enabled by the completion of the Platform Transformation Programme and sale of Quilter International. To date the programme has delivered £13 million of annualised run-rate cost savings with an implementation cost of £12 million.
- The Optimisation programme incurred costs of £3 million (H1 2021: £10 million). The Optimisation programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend and is now materially complete.
- Restructuring costs following the disposal of Quilter Life Assurance of £2 million in H1 2022 (H1 2021: £nil), including property exit costs after the conclusion of the Transitional Service Agreement with ReAssure.
- The Platform Transformation Programme concluded in 2021 (H1 2021: £22 million) with lifetime costs of £202 million. No further costs were incurred in 2022.

Policyholder tax adjustments were a credit of £146 million for H1 2022 (H1 2021: debit of £4 million) in relation to the removal of timing differences arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders.

The customer remediation adjustment of £15 million in H1 2022 (H1 2021: expense of £7 million) reflects the impact of the final redress calculations performed compared with the provision estimated, as part of the ongoing skilled person review. Consequently, a provision release of £5 million has been recognised in the current period (H1 2021: net increase in provision of £7 million). Additionally, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse British Steel pension transfer advice have been received, contributing £10 million to the profit of the Group. These have been excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relates was provided prior to the Group's acquisition of the business. Further details of the provision are provided in note 17.

Foreign exchange movements for H1 2022 were £4 million (H1 2021: £nil) and relate to foreign exchange gains on cash held in South African Rand in preparation for the capital return and final dividend payments in May 2022. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payment providing an economic hedge for the Group. The foreign exchange gain is equally offset by an amount processed directly to retained earnings. See note 5(b)(vi) for further detail.

Cash generation*

Cash generation measures the proportion of adjusted profit after tax that is recognised in the form of cash generated from operations. The Group achieved a cash generation rate of 72% of adjusted profit after tax over H1 2022 (FY 2021: 76%, continuing business only following the disposal of Quilter International).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £783 million at 30 June 2022 (31 December 2021: £1,030 million), representing a Solvency II ratio of 219% (31 December 2021: 275%). The Solvency II information for the six months to 30 June 2022 contained in this results disclosure has been prepared on a pro forma basis and has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the foreseeable dividend payment of £16 million (31 December 2021: £62 million).

	At 30 June 2022 ¹	At 31 December 2021 ²
Group Solvency II capital (£m)		
Own funds	1,440	1,617
Solvency capital requirement ("SCR")	657	587
Solvency II surplus	783	1,030
Solvency II coverage ratio	219%	275%

¹Based on preliminary estimates and including the impact of year-to-date profits.

²As disclosed in the Group Solvency and Financial Condition Report for 2021.

The 56 percentage point decrease in the Group Solvency II ratio from the 31 December 2021 position is primarily due to the capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International to Utmost Group, partly offset by the net profit recognised in the period.

Composition of qualifying Solvency II capital

The Group's own funds include the Quilter plc issued subordinated debt security which qualifies as capital under Solvency II. The composition of own funds by tier is presented in the table below.

	At 30 June 2022	At 31 December 2021
Group own funds (£m)		
Tier 1 ¹	1,238	1,412
Tier 2 ²	202	205
Total Group Solvency II own funds	1,440	1,617

¹All Tier 1 capital is unrestricted for tiering purposes.

²Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in February 2018.

The Group SCR is covered by Tier 1 capital, which represents 188% of the Group SCR of £657 million. Tier 1 capital represents 86% of Group Solvency II own funds. Tier 2 capital represents 14% of Group Solvency II own funds and 26% of the Group surplus.

Dividend

The Board declared an interim dividend for 2022 of 1.2 pence per share at a total cost of £16 million. The interim dividend will be paid on 19 September 2022 to shareholders on the UK and South African share registers on 2 September 2022. For shareholders on our South African share register an interim dividend of 24.14419 South African cents per share will be paid on 19 September 2021, using an exchange rate of 20.12016.

At our Capital Markets Day on 3 November 2021, we announced a revised Group dividend policy. The new policy sets a target pay-out range of 50% to 70% of post-tax, post-interest adjusted profits, revised from 40% to 60% of post-tax adjusted profits previously and will apply for the 2022 financial year.

Capital return

Following the completion of the sale of Quilter International at the end of November 2021, the Board announced they planned to return the majority of the net surplus sale proceeds to shareholders, amounting to £328 million, through the issuance and redemption of B Class shares followed by an Ordinary Share consolidation.

Following receipt of regulatory approval and shareholder approval at a General Meeting on 12 May 2022, the B shares were issued to shareholders on 23 May 2022. The B shares were subsequently redeemed on 24 May 2022 in the form of a payment of 20 pence per Ordinary Share for shareholders on our UK share register. For shareholders on our South African share register this equates to a return of 401.33300 South African cents per Ordinary Share, using an exchange rate of 20.06665 South African cents to one pence, the average rate achieved on 7 and 8 March 2022, the two days immediately preceding the announcement of the capital return. In total, £328 million of capital was returned to our shareholders through this process.

Holding company cash

The holding company cash statement includes cash flows generated by the three main holding companies within the business: Quilter plc, Quilter Holdings Limited and Quilter UK Holding Limited. The flows associated with these companies will differ markedly from those disclosed in the statutory statement of cash flows, which comprises flows from the entire Quilter plc Group including policyholder movements.

The holding company cash statement illustrates cash received from the key trading entities within the business together with other cash receipts, and cash paid out in respect of corporate costs and capital servicing (including interest and dividends). Other capital movements, including those in respect of acquisitions and disposals together with funding for ongoing business requirements, are also included. It is an unaudited non-GAAP analysis and aims to give a more illustrative view of business cash flows as they relate to the Group's holding companies compared to the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7 (statement of cash flows) and includes commingling of policyholder related flows and consolidated funds.

£m	H1 2022	FY 2021
Opening cash at holding companies at 1 January	756	517
Single Strategy business sale – warranty	-	(2)
Quilter International sale proceeds	-	481
Return of capital to shareholders	(328)	-
Share repurchase	(28)	(197)
Cost of disposal	(23)	-
Dividends paid	(62)	(89)
Net capital movements	(441)	193
Head Office costs, Business Simplification and Optimisation programme funding	(17)	(74)
Interest costs	(5)	(9)
Net operational movements	(22)	(83)
Cash remittances from subsidiaries	107	184
Net capital contributions, loan repayments and investments	(15)	(53)
Other net movements	1	(2)
Internal capital and strategic investments	93	129
Closing cash at holding companies at end of period	386	756

Net capital movements

Net capital movements in the year were an outflow of £441 million. This includes £328 million of capital returned to shareholders following the sale of Quilter International, £28 million relating to the share repurchase programme, a dividend payment made to shareholders of £62 million in May 2022 and £23 million of costs relating to the disposal of Quilter International.

Net operational movements

Net operational movements were an outflow of £22 million for the period and includes £17 million of corporate and transformation costs. Interest paid of £5 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility.

Internal capital and strategic investments

The net inflow of £93 million is principally due to £107 million of cash remittances from the trading businesses, partially offset by £15 million of net capital contributions to support business operational activities.

Balance sheet

Summary balance sheet (£m)	At 30 June 2022 Total Group	At 31 December 2021 Total Group
Assets		
Financial investments	42,106	47,565
Contract costs	10	9
Cash and cash equivalents	1,793	2,064
Goodwill and intangible assets	433	457
Trade, other receivables, and other assets	523	381
Other assets	270	264
Total assets	45,135	50,740
Equity	1,523	1,739
Liabilities		
Investment contract liabilities	37,167	41,071
Third-party interests in consolidated funds	5,404	6,898
Borrowings and lease liabilities	293	299
Trade, other payables, and other liabilities	615	484
Other liabilities	133	249
Total liabilities	43,612	49,001
Total equity and liabilities	45,135	50,740

Financial investments decreased by £5,459 million from £47,565 million at 31 December 2021 to £42,106 million at 30 June 2022 due to the fall in market value of assets driven by the conflict in Ukraine. £1,453 million of the total decrease relates to consolidated funds as a result of adverse market conditions and six funds no longer being subject to consolidation at H1 2022. A corresponding matching decrease is reflected in investment contract liabilities.

Cash and cash equivalents of £1,793 million decreased by £271 million from £2,064 million at 31 December 2021, primarily due to the £328 million capital redemption of the B Shares, £62 million dividend payment and £28 million cash consideration for shares repurchased as part of the final share buyback programme. This has been partially offset with inflows of £88 million of pre-tax profits adjusted for non-cash items and net policyholder investment flows of £128 million, less cash outflows of £41 million arising from changes in the composition in working capital.

Goodwill and intangible assets decreased by £24 million since 31 December 2021, principally due to the amortisation of intangible assets.

Principal risks and uncertainties

Effective risk management is key to Quilter successfully delivering the next phase of its strategy, involving a focus on growth and efficiency across its newly defined Affluent and High Net Worth client segments. Our Enterprise Risk Management Framework is embedded across Quilter and supports the organisation in the ongoing assessment and management of risk exposures.

Quilter's principal revenue streams are asset value based. During H1 2022 cost of living and inflationary pressures, coupled with the geopolitical shock of Russia's invasion of Ukraine, created extremely challenging market conditions and led to a decline in consumer confidence which has impacted investment inflows. In addition, competition in our key markets continues to intensify. These conditions present challenges for short-term financial performance and the pace of delivery of our strategy. Nonetheless, Quilter continues to invest in growth and propositional developments in order to position itself to capture opportunities when market conditions recover. This includes increasing digitisation and a commitment to becoming a leading responsible wealth manager.

As reported in the Group's 2021 Annual Report, a provision has been recognised in relation to DB to DC pension transfer advice that was provided by Lighthouse advisers prior to Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse. A total provision of £3 million (31 December 2021: £29 million) has been calculated for the remaining redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases which are subject to the skilled person review. Redress on British Steel Pension Scheme cases and other DB to DC pension transfer cases of £18 million and professional fees of £2 million have been paid during the period. Payments are expected to be completed during 2022. Subject to FCA confirmation, we anticipate the skilled person review will conclude during 2022. It is also expected that during 2022 the FCA will confirm whether the skilled person review should be closed, or whether any additional work is required. Additionally, a provision of £4 million (31 December 2021: £6 million) has been recognised at 30 June 2022 relating to potentially unsuitable pension advice provided by advisers including advice provided prior to Quilter's acquisition of the relevant advice businesses by Quilter Financial Planning firms other than Lighthouse. Quilter Financial Planning continues to progress its control environment enhancement programme.

The Directors have carried out a robust assessment of the principal risks facing Quilter, including those that would threaten its business model, future performance, solvency and liquidity, as well as those that are non-financial in nature. The articulation of these principal risks and uncertainties is consistent with Quilter's 'Top Risk' reporting that is reviewed quarterly by the Board Risk Committee and Board. The table below sets out Quilter's current principal risks and uncertainties.

Risk	Summary
Business and strategic risks	
Economic environment	Quilter's principal revenue streams are asset value related and as such Quilter is exposed to the condition of global economic markets. Global markets are likely to remain volatile given the conflict in Ukraine, declining consumer confidence, and increasing inflation. Volatility in debt, equity and currency markets may adversely impact customer investment portfolios which in turn impacts Quilter's ability to generate fee-based revenue.
Business financial performance	Inflationary pressures and an increase in the cost of living are impacting customers' ability to invest, which in turn has a bearing on investment inflows, acting as a headwind to our performance. Any negative impact on earnings, share price and/or capital position could have a resulting adverse effect on Quilter's market credibility and financial standing. The risk of further reductions of AuMA levels in 2022 (driven by equity and bond market indices performance) remains, with associated negative impacts to the Group's revenue generation capabilities.
Strategic delivery	Quilter has embarked on an ambitious strategy focused on growth and efficiency. As the external environment is expected to remain challenging for an extended period, the strategic risk profile is likely to continue to be elevated. Any failure to deliver on Quilter's strategy, could expose the Group to competitive risks and impact Quilter's franchise value.
Change execution	Quilter continues to be exposed to change execution risk given an ongoing programme of material change projects. Should Quilter not be successful in delivering these change projects within intended time, cost or quality parameters, this could impact the delivery of intended benefits, and risk disruption to continuing operations and the control environment.
Climate strategy	Quilter takes its responsibility to the environment seriously and is determined to play its part in reducing climate impacts. Failure to do so would result in Quilter being unable to meet regulatory and other stakeholder expectations and fulfil our strategic priority to become a leading responsible wealth manager. We are developing our Climate Action plan, which includes how we will align our operations, value chain and investments across Quilter with Science Based Targets.
Investment proposition	Quilter's investment propositions are key to retaining and attracting customers and enabling them to fulfil their financial goals. The risk of customer dissatisfaction in the performance of investment propositions may be heightened during periods of challenging market conditions which may result in an increase in outflows and associated impact on revenues.
Operational and regulatory risks	
Advice	Quilter's financial advice services are subject to regulatory conduct requirements to assure suitability of advisory recommendations. Failure to operate effective arrangements to support the ongoing delivery of suitable advice could expose Quilter to risks associated with customer detriment, regulatory censure and remediation programmes, with consequential impacts to the Group's business, financial condition and reputation. Quilter continues to work with the FCA to address historic DB to DC transfer advice shortcomings of the acquired Lighthouse Group. Subject to FCA confirmation, it is anticipated that the skilled person review will conclude during 2022.
Information technology	Quilter's business is dependent on its technology infrastructure and applications to perform necessary business functions. Good progress continues to be made in retiring Quilter's legacy technology estate, thereby reducing internal complexity. Nevertheless, a range of legacy applications are still supported, including the technology platform underpinning the disinvested Quilter International business, which will be supported until 2023 under a Transitional

	Services Agreement. Failure to manage technology risk could have a material adverse impact on Quilter's business, its resilience capabilities, operations, financial condition, and its reputation.
Information security	Quilter's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, some of which is highly sensitive. Quilter and its service providers are subject to the risk of information security breaches from parties with criminal or malicious intent. Monitoring is in place to proactively identify any potential new threats arising from the Russia/ Ukraine conflict or elsewhere. Should intrusion detection and anti-penetration processes not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on Quilter's customers, business, financial condition, operations and reputation.
People	Quilter relies on its talent to deliver its service to customers and implement its strategic objectives. People risk remains heightened due to a buoyant job market for key talent. Failure to attract and retain suitable talent may impact on the delivery of Quilter's strategy and may have an adverse impact on Quilter's business, its financial and operational performance and its delivery of service to customers.
Third party	Quilter procures certain services from third parties, including the significant business process and technology outsourcing to FNZ. If Quilter does not effectively oversee its third-party providers, Quilter may experience operational difficulties, increased costs and loss of business, potential customer detriment and damage to its reputation.
Operational resilience	Quilter provides important services for its customers, and its ability to maintain these services during unforeseen events is key. Any failures in Quilter's preparation for, or response to, sudden disruptions could compromise the maintenance of important business services, resulting in the potential for customer detriment, financial loss, damage to reputation or regulatory sanction.
Regulatory	Quilter is subject to regulation in the UK by the Prudential Regulation Authority and the Financial Conduct Authority. Additionally, the firm is subject to the privacy regulations enforced by the Information Commissioner's Office and international equivalents. Quilter faces risks associated with compliance with these regulations and to changes in regulations or regulatory focus or interpretation in the markets in which Quilter operates. Failure to manage regulatory compliance effectively could result in regulatory censure, including the possibility of fines or prohibitions which could impact business performance and reputation.

Quilter monitors its emerging risk profile on a regular basis, with the risk profile being regularly reviewed by the Board Risk Committee and Board. The current emerging risks being tracked are:

Emerging risks

Near term

Cyber threat developments	Evolving sophistication in cyber criminality presents an ever-changing cyber-attack threat profile, which could result in impacts to the continuity of operations and security of information.
Margin pressure	Increasing market pressures may require provision of services at a lower overall cost to customers to remain competitive.
Economic outlook and geopolitical risk	Rising cost pressures, post-pandemic supply issues, post-Brexit trading issues, geopolitical tensions, and the reversal of temporary taxation relief has caused inflation to rise, potentially adversely impacting investment performance, business costs and Quilter's customers' ability to save.

Medium term

Disruptive competition and technology	Increasing competitive activity and accelerating technological capabilities at peer firms could result in the potential to erode Quilter's market share.
Climate change – disorderly transition to net zero	Securing global net zero emissions by mid-century is a stretching demand. A disorderly transition to a low carbon economy could have financial impacts for Quilter caused by investment volatility or increased costs due to additional regulatory burden.
Political changes and taxation	Restoration of public finances after the pandemic may require further changes to the tax regime, in addition to the rises in UK National Insurance that have been announced. Adverse taxation changes could adversely impact customers' ability to save.

Longer term

Generational shifts	Intergenerational changes to wealth dynamics will require adaptation to retain market share.
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Shareholder information

The Quilter Board has declared an Interim Dividend of 1.2 pence per share. The Interim Dividend will be paid on Monday 19 September 2022 to shareholders on the UK and South African share registers on Friday 2 September 2022.

Dividend Timetable

Dividend announcement in pounds sterling with South Africa ZAR Equivalent	Wednesday 10 August 2022
Last day to trade cum dividend in South Africa	Tuesday 30 August 2022
Shares trade ex-dividend in South Africa	Wednesday 31 August 2022
Shares trade ex-dividend in the UK	Thursday 1 September 2022
Record Date in UK and South Africa	Friday 2 September 2022
Interim dividend payment date	Monday 19 September 2022

From the opening of trading on Wednesday 10 August 2022 until the close of business on Friday 2 September 2022, no transfers between the London and Johannesburg registers will be permitted. Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday 31 August 2022 and Friday 2 September 2022, both dates inclusive.

Additional information

For shareholders on our South African share register a dividend of 24.14419 South African cents per share will be paid on Monday 19 September 2022, based on an exchange rate of 20.12016. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 24.14419 South African cents per share paid to South African shareholders unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 19.31535 South African cents per share. The Company had a total of 1,404,105,498 shares in issue at today's date.

If you are uncertain as to the tax treatment of any dividends you should consult your own tax adviser.

Return of capital related to the Sale of Quilter International

Following approval by shareholders at a General Meeting held on Thursday 12 May 2022, Quilter returned £328 million of the net proceeds arising from the sale of Quilter International to shareholders by way of a B Share Scheme and Share Consolidation (the 'Return of Capital').

The Return of Capital, which was initially announced on Wednesday 9 March 2022, involved the issue of new redeemable B shares to shareholders on Monday 23 May 2022, which Quilter subsequently redeemed for cash on Tuesday 24 May 2022. Under the Return of Capital, shareholders on our UK share register received 20 pence per Ordinary Share. This equated to a return of 401.33300 South African cents per Ordinary Share for shareholders on our South African share register, using an exchange rate of 20.06665 South African cents to one pence, the average rate achieved on 7 and 8 March 2022. The Share Consolidation was implemented on Monday 23 May 2022 and resulted in each shareholder receiving six new Ordinary Shares of 8 1/6 pence each for every seven existing Ordinary Shares of 7 pence each that they held on the record date of Friday 20 May 2022.

In connection with the Return of Capital, Quilter purchased for cancellation four existing Ordinary Shares of 7 pence each on Thursday 12 May 2022 to ensure that the number of existing Ordinary Shares in issue at the time the Share Consolidation was implemented was exactly divisible by seven (being the denominator in the Share Consolidation ratio).

Supplementary information

Alternative Performance Measures (“APMs”)

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 6. These measures are indicated with an asterisk: *.

For the six months ended 30 June 2022

1. Key financial data

	AuMA* as at 31 December 2021	Gross flows* (£m)	Net Flows* (£m)	AuMA* as at 30 June 2022	Of which managed by Quilter AuM as at 30 June 2022
2022 YTD gross flows, net flows & AuMA (£bn), unaudited					
AFFLUENT SEGMENT					
Quilter channel	11.7	1,323	954	10.8	7.4
IFA channel	60.0	2,874	654	53.7	8.7
Non-core business	1.5	27	(23)	1.3	-
Sub-total (Quilter Platform)	73.2	4,224	1,585	65.8	16.1
Via other platforms					
Quilter channel ¹	4.9	390	(88)	4.0	4.0
IFA channel	2.5	141	(326)	2.2	2.2
Non-core businesses	2.7	82	(141)	2.2	2.2
Sub-total	10.1	613	(555)	8.4	8.4
Total Affluent Segment	83.3	4,837	1,030	74.2	24.5
HIGH NET WORTH SEGMENT					
Quilter channel	2.5	194	160	2.3	2.3
IFA channel incl. Direct	26.2	1,068	352	22.9	22.9
Total High Net Worth Segment	28.7	1,262	512	25.2	25.2
Inter-segment dual assets¹	(0.2)	(190)	(150)	(0.7)	(0.2)
Quilter plc	111.8	5,909	1,392	98.7	49.5
AuMA breakdown:					
Affluent administered only	55.9	2,833	1,023	49.7	
Affluent managed and administered	17.3	1,391	562	16.1	
Affluent external platform	10.1	613	(555)	8.4	
Quilter channel	19.1	1,907	1,026	17.1	
IFA channel	88.5	3,893	530	78.1	
Non-core business	4.2	109	(164)	3.5	

¹Inter-segment dual assets reflect funds sold by Quilter Cheviot and managed by Quilter Investors and the Quilter Cheviot bespoke MPS solution available to advisers on the Quilter Investment Platform. This is excluded from total AuMA to ensure no double count takes place.

	AuMA* as at 31 December 2020	Gross flows* (£m)	Net flows* (£m)	AuMA* as at 30 June 2021	Of which managed by Quilter AuM as at 30 June 2021
2021 YTD gross flows, net flows & AuMA (£bn), unaudited					
AFFLUENT SEGMENT					
Quilter channel	9.6	1,261	868	10.8	7.3
IFA channel	52.8	3,209	950	57.2	8.9
Non-core business	1.4	43	(19)	1.4	-
Sub-total (Quilter Platform)	63.8	4,513	1,799	69.4	16.2
Via other platforms					
Quilter channel ¹	4.9	569	174	4.9	4.9
IFA channel	2.4	139	(233)	2.5	2.5
Non-core businesses	2.8	96	(195)	2.8	2.8
Sub-total	10.1	804	(254)	10.2	10.2
Total Affluent Segment	73.9	5,317	1,545	79.6	26.4
HIGH NET WORTH SEGMENT					
Quilter channel	2.1	268	217	2.3	2.3
IFA channel incl. Direct	23.2	1,088	231	24.7	24.7
Total High Net Worth Segment	25.3	1,356	448	27.0	27.0
Inter-segment dual assets ¹	(0.2)	(2)	6	(0.2)	(0.1)
Quilter plc ²	99.0	6,671	1,999	106.4	53.3
AuMA breakdown:					
Affluent administered only	49.2	2,969	1,205	53.2	
Affluent managed and administered	14.6	1,544	594	16.2	
Affluent external platform	10.1	804	(254)	10.2	
Quilter channel	16.4	2,098	1,259	18.0	
IFA channel	78.4	4,434	954	84.2	
Non-core business ¹	4.2	139	(214)	4.2	

¹Inter-segment dual assets reflect funds sold by Quilter Cheviot and managed by Quilter Investors and the Quilter Cheviot bespoke MPS solution available to advisers on the Quilter Investment Platform. This is excluded from total AuMA to ensure no double count takes place.

²H1 2021 asset and flow comparators have been restated to exclude amounts relating to Quilter International to align with information presented at the Company's Capital Markets Day on 3 November 2021 and its fourth quarter trading statement 2021 on 26 January 2022.

Estimated asset allocation (%)	H1 2022 Total client AuMA	FY 2021 Total client AuMA
Fund profile by investment type, unaudited		
Quilter		
Fixed interest	25%	24%
Equities	65%	67%
Cash	5%	4%
Property and alternatives	5%	5%
Total	100%	100%

1. Affluent

The following table presents certain key financial metrics utilised by management with respect to the business units of the Affluent segment, for the periods indicated.

Key financial highlights	H1 2022	H1 2021	% change
Affluent Administered			
Net management fees (£m)*	91	88	3%
Other revenue (£m)*	2	3	(33%)
Total net fee revenue	93	91	2%
Net inflows (£bn)*	1.6	1.8	(11%)
Closing AuM (£bn)*	65.8	69.4	(5%)
Average AuM (£bn)*	69.5	66.1	5%
Revenue margin (bps)*	26	27	(1) bp
Asset retention (%)*	93	92	1 ppt
Affluent Managed			
Net management fees (£m)*	61	61	-
Other revenue (£m)*	-	-	-
Total net fee revenue	61	61	-
Net inflows (£bn)*	0.0	0.5	-
Closing AuM (£bn)*	24.5	26.4	(8%)
Average AuM (£bn)*	25.9	25.4	2%
Revenue margin (bps)*	47	48	(1) bp
Asset retention (%)*	85	85	-
Advice (Quilter Financial Planning)			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	40	47	(15%)
Total net fee revenue*	40	47	(15%)
RFPs (#)	1,512	1,639	(8%)

2. High Net Worth

The following table presents certain key financial metrics utilised by management with respect to the business units of the High Net Worth segment, for the periods indicated.

Key financial highlights	H1 2022	H1 2021	% change
Quilter Cheviot			
Net management fees (£m)*	94	93	1%
Other revenue (£m)*	3	-	-
Total net fee revenue	97	93	4%
Net inflows (£bn)*	0.5	0.4	25%
Closing AuM (£bn)*	25.2	27.0	(7%)
Average AuM (£bn)*	27.0	25.8	5%
Revenue margin (bps)*	70	72	(2) bps
Asset retention (%)*	94%	92%	2 ppts
Investment managers (#)*	176	168	5%
Advice (Quilter Private Client Advisers)			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	11	12	(8%)
Total net fee revenue*	11	12	(8%)
PCA RFPs (#)	55	62	(11%)

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For the period ended 30 June 2022

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Statement of Directors' responsibilities in respect of the interim financial statements

For the period ended 30 June 2022

Each of the Directors of Quilter plc confirms to the best of their knowledge and belief that:

- The condensed set of consolidated financial statements, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows and the related explanatory notes, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the United Kingdom and gives a true and fair view of the assets, liabilities, financial position and profits of the Group for the period ended 30 June 2022. These interim financials have been prepared and published in compliance with the acceptable accounting frameworks of the London Stock Exchange ("LSE"), where the Company has its primary listing.
- The interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and
 - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the Group's 2021 Annual Report, that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

Consistent with principle N of the UK Corporate Governance Code, the results for the six months ended 30 June 2022 taken as a whole, present a fair, balanced and understandable assessment of the Company's position and prospects.

Quilter plc is listed with a primary listing on the LSE and a secondary listing on the Johannesburg Stock Exchange ("JSE").

Signed on behalf of the Board

Paul Feeney
Chief Executive Officer
9 August 2022

Mark Satchel
Chief Financial Officer
9 August 2022

Independent review report to Quilter plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Quilter plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Quilter plc for the 6 month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed consolidated statement of financial position as at 30 June 2022;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Quilter plc have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The interim results, including the interim financial statements, are the responsibility of, and have been approved by the Directors. The Directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results, including the interim financial statements, the Directors are responsible for assessing the Group'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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 August 2022

Condensed consolidated income statement

For the period ended 30 June 2022

		£m		
	Notes	Six months 2022	Six months 2021	Full year 2021
Income				
Fee income and other income from service activities ¹	6(c)	292	335	666
Investment return		(5,326)	2,489	4,002
Other income		21	9	18
Total income		(5,013)	2,833	4,686
Expenses				
Change in investment contract liabilities	16	4,825	(2,087)	(3,293)
Fee and commission expenses, and other acquisition costs ¹		(26)	(25)	(61)
Change in third-party interests in consolidated funds		555	(347)	(599)
Other operating and administrative expenses		(297)	(340)	(636)
Finance costs		(7)	(7)	(14)
Total expenses		5,050	(2,806)	(4,603)
Profit on sale of subsidiary	4(a)	-	-	2
Profit before tax from continuing operations		37	27	85
Tax credit/(expense) attributable to policyholder returns	7(a)	145	(48)	(73)
Profit/(loss) before tax attributable to equity holders from continuing operations		182	(21)	12
Income tax credit/(expense)	7(a)	114	(40)	(62)
Less: tax (credit)/expense attributable to policyholder returns	7(a)	(145)	48	73
Tax (expense)/credit attributable to equity holders		(31)	8	11
Profit/(loss) after tax from continuing operations		151	(13)	23
(Loss)/profit after tax from discontinued operations	4(b)	(1)	33	131
Profit after tax		150	20	154
Attributable to:				
Equity holders of Quilter plc		150	20	154
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc²				
Basic				
From continuing operations (pence)	8(b)	11.3	(0.9)	1.6
From discontinued operations (pence)	4(b)	(0.1)	2.3	9.3
Basic earnings per Ordinary Share (pence)	8(b)	11.2	1.4	10.9
Diluted				
From continuing operations (pence)	8(b)	11.2	(0.9)	1.6
From discontinued operations (pence)	4(b)	(0.1)	2.2	9.0
Diluted earnings per Ordinary Share (pence)	8(b)	11.1	1.3	10.6

¹See note 3(b) for details of changes to comparative amounts.

²EPS comparatives have been restated due to the share consolidation. See note 3(a).

The attached notes on pages 39 to 72 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

For the period ended 30 June 2022

		£m		
	Note	Six months 2022	Six months 2021	Full year 2021
Profit after tax		150	20	154
Exchange losses on translation of foreign operations		-	(1)	(1)
Income tax on items that may be reclassified subsequently to income statement		-	1	-
Items that may be reclassified subsequently to income statement		-	-	(1)
Total other comprehensive income, net of tax		-	-	(1)
Total comprehensive income		150	20	153
Attributable to:				
Continuing operations		151	(12)	22
Discontinued operations	4(c)	(1)	32	131
Equity holders of Quilter plc		150	20	153

The attached notes on pages 39 to 72 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the period ended 30 June 2022

										£m
	Notes	Ordinary Share capital	Ordinary Share premium reserve	B shares	Capital redemption reserve	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
Balance at 1 January 2021		125	58	-	8	149	42	1	1,495	1,878
Profit after tax		-	-	-	-	-	-	-	20	20
Other comprehensive income		-	-	-	-	-	1	-	(1)	
Total comprehensive income		-	-	-	-	-	1	-	19	20
Dividends	9	-	-	-	-	-	-	-	(61)	(61)
Ordinary Shares repurchased in the buyback programme ¹	15	(5)	-	-	5	-	-	-	(103)	(103)
Movement in own shares		-	-	-	-	-	-	-	(2)	(2)
Equity share-based payment transactions		-	-	-	-	-	(8)	-	19	11
Dividend equivalents paid on vested shares		-	-	-	-	-	-	-	(1)	(1)
Total transactions with the owners of the Company		(5)	-	-	5	-	(8)	-	(148)	(156)
Balance at 30 June 2021		120	58	-	13	149	35	1	1,366	1,742
Profit after tax		-	-	-	-	-	-	-	134	134
Other comprehensive income		-	-	-	-	-	(1)	(1)	1	(1)
Total comprehensive income		-	-	-	-	-	(1)	(1)	135	133
Dividends	9	-	-	-	-	-	-	-	(28)	(28)
Ordinary Shares repurchased in the buyback programme ¹	15	(4)	-	-	4	-	-	-	(101)	(101)
Release of merger reserve	15(c)	-	-	-	-	(124)	-	-	124	-
Movement in own shares		-	-	-	-	-	-	-	(18)	(18)
Equity share-based payment transactions		-	-	-	-	-	7	-	2	9
Dividend equivalents paid on vested shares		-	-	-	-	-	-	-	1	1
Aggregate tax effects of items recognised directly in equity		-	-	-	-	-	1	-	-	1
Total transactions with the owners of the Company		(4)	-	-	4	(124)	8	-	(20)	(136)
Transfer to retained earnings		-	-	-	-	-	-	(1)	1	-
Balance at 31 December 2021		116	58	-	17	25	42	(1)	1,482	1,739
Profit after tax		-	-	-	-	-	-	-	150	150
Total comprehensive income		-	-	-	-	-	-	-	150	150
Dividends	9	-	-	-	-	-	-	-	(62)	(62)
Ordinary Shares repurchased in the buyback programme ¹	15	(1)	-	-	1	-	-	-	-	-
Issue of B shares ²	15	-	-	328	-	(25)	-	-	(303)	-
Redemption of B shares ²	15	-	-	(328)	328	-	-	-	(328)	(328)
Exchange rate movement (ZAR/GBP) ³	5b(vi)	-	-	-	-	-	-	-	(4)	(4)
Movement in own shares		-	-	-	-	-	-	-	19	19
Equity share-based payment transactions		-	-	-	-	-	(8)	-	19	11
Aggregate tax effects of items recognised directly in equity		-	-	-	-	-	(2)	-	-	(2)
Total transactions with the owners of the Company		(1)	-	-	329	(25)	(10)	-	(659)	(366)
Balance at 30 June 2022		115	58	-	346	-	32	(1)	973	1,523

¹On 11 March 2020, the Company announced a share buyback programme to purchase Ordinary Shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. During the period ended 30 June 2022, the Company acquired 17.7 million shares (30 June 2021: 63.0 million, 31 December 2021 128.1 million) for a total consideration of £26 million (30 June 2021: £100 million, 31 December 2021: £197 million) and incurred additional costs of £1 million (30 June 2021: £3 million, 31 December 2021: £3 million). The shares, which have a nominal value of £1 million (30 June 2021: £5 million, 31 December 2021: £9 million), were subsequently cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006. The share buyback was completed in January 2022.

²On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B share scheme accompanied by a share consolidation. Refer to note 3 for further details of the capital return and share consolidation. Following the issue and redemption of the B preference shares as part of the B shares scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the period. The increase in the capital redemption reserve results from the UK company law requirement to maintain the company's capital when shares are redeemed out of the company's distributable profits.

³The South African Rand value of the proposed capital return for shares registered on the Johannesburg Stock Exchange was set on 9 March 2022. The impact of exchange rate movements between the year-end Market Announcement on 9 March 2022 and the redemption of the B shares on 24 May 2022 on the pound sterling equivalent of payments to JSE shareholders in South African Rand is recognised directly in equity. The Group held cash in South African Rand equal to the expected cash outflow and therefore was economically hedged for the outflow.

The attached notes on pages 39 to 72 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position

At 30 June 2022

		£m		
	Notes	30 June 2022	30 June 2021	31 December 2021
Assets				
Goodwill and intangible assets	10	433	479	457
Property, plant and equipment		117	127	131
Investments in associated undertakings		1	1	2
Contract costs		10	8	9
Loans and advances		34	32	29
Financial investments	11	42,106	45,037	47,565
Deferred tax assets		110	88	88
Current tax receivable		-	15	-
Trade, other receivables and other assets		523	615	381
Derivative assets		8	9	14
Cash and cash equivalents	14	1,793	1,703	2,064
Assets of operations classified as held for sale	4(e)	-	24,046	-
Total assets		45,135	72,160	50,740
Equity and liabilities				
Equity				
Ordinary Share capital	15	115	120	116
Ordinary Share premium reserve	15	58	58	58
Capital redemption reserve	15(b)	346	13	17
Merger reserve	15(c)	-	149	25
Share-based payment reserve		32	35	42
Other reserves		(1)	1	(1)
Retained earnings		973	1,366	1,482
Total equity		1,523	1,742	1,739
Liabilities				
Investment contract liabilities	16	37,167	38,804	41,071
Third-party interests in consolidated funds		5,404	6,698	6,898
Provisions	17	64	75	93
Deferred tax liabilities		29	140	139
Current tax payable		10	-	2
Borrowings and lease liabilities		293	312	299
Trade, other payables and other liabilities		615	671	484
Derivative liabilities		30	26	15
Liabilities of operations classified as held for sale	4(e)	-	23,692	-
Total liabilities		43,612	70,418	49,001
Total equity and liabilities		45,135	72,160	50,740

The financial statements on pages 32 to 36 were approved by the Board of Directors on 9 August 2022 and signed on its behalf by

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

The attached notes on pages 39 to 72 form an integral part of these consolidated financial statements.

Condensed consolidated statement of cash flows

For the period ended 30 June 2022

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations) and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in consolidated funds (as shown in note 14). Cash flows for discontinued operations are shown separately in note 4(d).

			£m
	Notes	Six months 2022	Six months 2021
			Full year 2021
Cash flows from operating activities			
Cash flows from operating activities		1,089	1,586
Taxation paid		(12)	(5)
Total net cash flows from operating activities		1,077	1,581
Cash flows from investing activities			
Net acquisitions of financial investments		(913)	(1,422)
Acquisition of property, plant and equipment		-	(1)
Acquisition of interests in subsidiaries ¹	4(f)	(5)	(7)
Net (payments)/proceeds from the disposal of interests in subsidiaries		(1)	(8)
Total net cash flows from investing activities		(919)	(1,438)
Cash flows from financing activities			
Dividends paid to ordinary equity holders of the Company	9	(62)	(61)
Finance costs on external borrowings		(5)	(5)
Payment of interest on lease liabilities		(1)	(1)
Payment of principal of lease liabilities		(9)	(5)
Redemption of B shares ²		(328)	-
Repurchase and cancellation of Ordinary Shares ³		(28)	(102)
Total net cash flows from financing activities		(433)	(174)
Net (decrease)/increase in cash and cash equivalents		(275)	(31)
Cash and cash equivalents at the beginning of the year		2,064	1,921
Effect of exchange rate changes on cash and cash equivalents		4	(1)
Cash and cash equivalents at end of the period	14	1,793	1,889

¹The acquisition of interests in subsidiaries outflow of £5 million results from contingent consideration payments relating to historical acquisitions (30 June 2021: £7 million, 31 December 2021: £7 million).

²On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B share scheme accompanied by a share consolidation. Please refer to note 3 for further details of the capital return and share consolidation.

³The repurchase and cancellation of Ordinary Shares outflow relates to the cash movements associated with the share buyback programme. Further details are included within the condensed consolidated statement of changes in equity.

The attached notes on pages 39 to 72 form an integral part of these condensed consolidated interim financial statements.

Basis of preparation and significant accounting policies

For the period ended 30 June 2022

General information

Quilter plc (the "Company"), a public limited company incorporated in England and Wales and domiciled in the United Kingdom ("UK"), together with its subsidiaries (collectively, the "Group") offers investment and wealth management services, long-term savings and financial advice through its subsidiaries and associates primarily in the UK.

The company's registration number is 06404270. The address of the registered office is Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

1: Basis of preparation

The results for the six months ended 30 June 2022 have been prepared in accordance with the UK-adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, and although unaudited, have been reviewed by the Company's Auditor, PricewaterhouseCoopers LLP, and their report is included earlier in this document. These condensed consolidated interim financial statements ("interim financial statements") of Quilter plc for the six months ended 30 June 2022 do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. Comparative financial information for the full year 2021 has been presented from the Group's 2021 Annual Report, which has been filed with the Registrar of Companies and was prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The auditor's report on those financial statements was not qualified, did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. Copies of the Group's 2021 Annual Report are available online at plc.quilter.com.

These interim financial statements do not include all of the information required for a complete set of IFRS compliant financial statements. Selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the publication of the Group's 2021 Annual Report. The Board considers that the alternative performance measures ("APMs") provided, such as adjusted profit, are also useful for both management and investors. Any seasonal or cyclical factors, to the extent that they materially impact the Group's results, are described in the Financial review.

There have been no changes in the Group's significant accounting policies during the period. All accounting policies for recognition, measurement, consolidation and presentation are as outlined in the Group's 2021 Annual Report. These interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

Going concern

The Directors have considered the resilience of the Group, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2022 interim financial statements. This assessment incorporated a number of stress tests covering a broad range of scenarios, including economic and market shocks of up to 40% falls in equity markets, mass lapse events, new business growth scenarios and severe business interruption, equivalent to 1-50 and 1-200 year events. The Group took into consideration risks related to climate change as part of the assessment. As a result, the Directors consider that the Group is well placed to manage its business risks in the context of the current economic outlook, taking into consideration the conflict in Ukraine, consumer cost of living increases and inflation. The Group has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these interim financial statements and continues to adopt the going concern basis in preparing the interim financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's significant accounting policies and in making estimates and assumptions that affect the reported amounts of net assets and liabilities at the date of the financial statements. The Board Audit Committee reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

The critical estimates and judgements disclosed in detail in the Group's 2021 Annual Report on pages 166 to 167 continue to be critical to the Group and, during the six months ended 30 June 2022, the following updates have also been considered by management to be critical:

Critical accounting judgements

The Group's critical accounting judgements are those that management makes when applying its significant accounting policies and that have the greatest effect on the net profit and net assets recognised in the Group's financial statements.

Recognition of insurance recovery asset in respect of Lighthouse defined benefit pension advice

For Lighthouse defined benefit ("DB") to defined contribution ("DC") pension transfer advice provided, management has previously applied judgement in order to determine whether an asset can be reasonably estimated, and the measurement of such asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). Under the PI Policies, Lighthouse is entitled, subject to the policy terms and limits, to be indemnified for claims and defence costs in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities. During 2022, the insurers confirmed coverage up to the PI Policies' limit of indemnity of £15 million for these legal liabilities, and as a result the recognition and measurement of an insurance asset is no longer considered a critical accounting judgement.

Critical accounting estimates

The Group's critical accounting estimates involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the net carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting standards and guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Provision for cost of defined benefit pension advice

An estimation was determined for unsuitable pension advice related to schemes other than those concluded as part of the skilled person review, using a methodology which takes account of recent experience of redress payments calculated by an independent expert and applying a proportion of transfer value to determine redress payable as an indicative provision. The calculations are based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and inflation rate assumptions.

Basis of preparation and significant accounting policies

For the period ended 30 June 2022

1: Basis of preparation *continued*

Measurement of deferred tax

The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of AuMA, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flows, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses recoverability of shareholder assets based on estimated taxable profits over a three-year planning horizon and assesses policyholder assets based on estimated investment growth over the medium term. Management has reassessed the sensitivity on the recoverability of deferred tax assets based on the latest forecast cash flows. See note 29 of the 2021 Annual Report for further details.

2: New standards, amendments to standards, and interpretations adopted by the Group

There were no new standards or interpretations which became effective from 1 January 2022.

The following amendments to accounting standards became applicable for the current reporting period, with no material impact on the Group's consolidated results, financial position or disclosures:

Adopted by the Group from	Amendments to standards
1 January 2022	Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
1 January 2022	Annual Improvements 2018-2020 Cycle
1 January 2022	Amendments to IFRS 3 References to the Conceptual Framework
1 January 2022	Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

3: Significant changes in the current reporting period

3(a): Capital return and share consolidation and changes to comparative amounts

On 12 May 2022, shareholder approval was received at the General Meeting, for a capital return of £328 million (20 pence per share) to the shareholders of Quilter plc by way of a B share scheme, reflecting the net surplus proceeds from the sale of Quilter International after retaining funds for planned Business Simplification and selected revenue enhancing investments. The B shares were created out of the Company's merger reserve, which had a balance of £1,687 million prior to the share creation.

To maintain comparability of shareholder metrics before and after the capital return, the scheme was accompanied by a share consolidation (see note 15(a)). The weighted average number of shares used in all comparative EPS metrics has been adjusted for the impact of the share consolidation as per the requirements of IAS 33.

The capital return reduced the Group's IFRS net assets and Solvency II own funds by £328 million, comprised of £331 million cash paid upon redemption of the B shares, offset by a foreign exchange gain of £3 million on Rand held between the date the capital return was announced and the redemption of the B shares for the JSE portion of the capital return.

3(b): Fund-based fees and changes to comparative amounts

Changes to comparative amounts for the period ended 30 June 2021 have been made in respect of fund-based fees. The comparative figures have been restated in the income statement and related notes in order to satisfy the presentational requirements of IFRS with respect to revenue and expenditure. The changes have no impact to the Group's profit, equity or alternative performance measures.

These changes relate to periodic fee income which is based on the market valuation of the Group's investment contracts. It is calculated and recognised on a daily basis in line with the provision of investment management services. For the period ended 30 June 2021, to correct a misclassification of fee rebates, the Group has reduced Fee and commission expenses, and other acquisition costs by £4 million with a corresponding £4 million reduction in Fee income and other income from service activities.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

4: Discontinued operations, assets and liabilities held for sale, acquisitions and disposals

4(a): Business disposals

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. The Group recognised a profit on disposal of £89 million. Provisions established in respect of this disposal are shown in note 17. Separation, migration and decommissioning expenses incurred as a result of the disposal of £19 million were included within Other operating and administrative expenses in the discontinued operations income statement in December 2021. The increase in accrued expenses in relation to the Single Strategy Asset Management business (sold in 2018) and QLA (sold in 2019) of £1 million for the six months to 30 June 2022 (31 December 2021: decrease £1 million; 30 June 2021: £nil) is also included in the total loss on sale of operations before tax in note 4(b).

4(b): Discontinued operations – income statement

The Group's discontinued operations principally relate to Quilter International, the sale of which completed on 30 November 2021.

		£m		
		Six months 2022	Six months 2021	Full year 2021
	Notes			
Income				
Gross earned premiums		-	1	1
Premiums ceded to reinsurers		-	(1)	(1)
Net earned premiums		-	-	-
Fee income and other income from service activities	6	-	103	169
Investment return	6	-	1,183	1,816
Other income		-	-	1
Total income		-	1,286	1,986
Expenses				
Change in investment contract liabilities	16	-	(1,183)	(1,818)
Fee and commission expenses, and other acquisition costs		-	(49)	(72)
Other operating and administrative expenses		-	(20)	(55)
Total expenses		-	(1,252)	(1,945)
(Loss)/profit on sale of operations before tax	4(a)	(1)	-	90
(Loss)/profit before tax attributable to equity holders from discontinued operations		(1)	34	131
Tax expense attributable to equity holders	7(a)	-	(1)	-
(Loss)/profit after tax from discontinued operations		(1)	33	131
Attributable to:				
Equity holders of Quilter plc		(1)	33	131

Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc¹

Basic - from discontinued operations (pence)	8(b)	(0.1)	2.3	9.3
Diluted - from discontinued operations (pence)	8(b)	(0.1)	2.2	9.0

¹EPS comparatives have been restated due to the share consolidation. See note 3(a).

Other operating and administrative expenses of £10 million at 31 December 2021 (30 June 2021: £5 million) previously reported in Quilter International were presented within continuing operations in the 2021 Annual Report, as costs of this nature did not transfer to Utmost Group (the acquirer) on disposal.

4(c): Discontinued operations - statement of comprehensive income

	£m		
	Six months 2022	Six months 2021	Full year 2021
(Loss)/profit after tax	(1)	33	131
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of foreign operations	-	(1)	-
Total comprehensive income from discontinued operations	(1)	32	131

4(d): Discontinued operations - net cash flows

	£m		
	Six months 2022	Six months 2021	Full year 2021
Total net cash flows from operating activities	-	374	276
Total net cash flows from investing activities	-	(326)	(411)
Total net cash flows from financing activities	-	(1)	(2)
Net increase/(decrease) in cash and cash equivalents	-	47	(137)

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

4: Discontinued operations, asset and liabilities held for sale, acquisitions and disposals *continued*

4(e): Assets and liabilities held for sale

Assets and liabilities of operations classified as held for sale at 30 June 2021 relate to Quilter International. There are no assets or liabilities classified as held for sale at 31 December 2021 and 30 June 2022.

		£m
	Notes	30 June 2021
Assets classified as held for sale		
Goodwill and intangible assets	10	54
Property, plant and equipment		11
Contract costs		384
Loans and advances		174
Financial investments	11	23,019
Trade, other receivables and other assets		218
Cash and cash equivalents	14	186
Total assets classified as held for sale		24,046
Liabilities classified as held for sale		
Investment contract liabilities	16	23,202
Provisions	17	5
Deferred tax liabilities		2
Lease liabilities		12
Trade, other payables and other liabilities		102
Contract liabilities		369
Total liabilities classified as held for sale		23,692
Net assets classified as held for sale		354

4(f): Business acquisitions

There have been no material acquisitions during the periods presented in these interim financial statements.

Contingent consideration arising from historical business acquisitions:

The table below details the movements in the contingent consideration balance during the current and prior periods arising from the business acquisitions in previous years.

	30 June 2022	30 June 2021	31 December 2021
Opening balance	5	16	16
Payments	(5)	(7)	(7)
Financing interest charge	-	-	1
Unused amounts reversed and other movements	-	-	(5)
Closing balance	-	9	5

Contingent consideration represents the Group's best estimate of the amount payable in relation to each acquisition discounted to net present value. The basis used for each acquisition varies but includes payments based on a percentage of the level of assets under administration, funds under management and levels of ongoing fee income at future dates.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

5: Alternative performance measures

5(a): Adjusted profit before tax and reconciliation to profit after tax

Basis of preparation of adjusted profit before tax

Adjusted profit before tax is one of the Group's alternative performance measures and represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed in note 5(b). Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results.

										£m
		Six months 2022			Six months 2021 ³			Full year 2021		
	Notes	Continuing operations	Discontinued operations ¹	Total	Continuing operations	Discontinued operations ¹	Total	Continuing operations	Discontinued operations ¹	Total
Affluent		47	-	47	44	29	73	111	50	161
High Net Worth		23	-	23	26	-	26	56	-	56
Head Office		(9)	-	(9)	(14)	-	(14)	(29)	-	(29)
Adjusted profit before tax		61	-	61	56	29	85	138	50	188
Reallocation of Quilter International costs	6(b)	-	-	-	(5)	5	-	(10)	10	-
Adjusted profit before tax after reallocation	6(b)	61	-	61	51	34	85	128	60	188
Adjusting items:										
Impact of acquisition and disposal-related accounting	5(b)(i)	(22)	-	(22)	(23)	-	(23)	(41)	-	(41)
Profit/(loss) on business disposals	4(a)	-	(1)	(1)	-	-	-	2	90	92
Business transformation costs	5(b)(ii)	(17)	-	(17)	(32)	-	(32)	(51)	(19)	(70)
Managed separation costs	5(b)(iii)	-	-	-	(1)	-	(1)	(2)	-	(2)
Finance costs	5(b)(iv)	(5)	-	(5)	(5)	-	(5)	(10)	-	(10)
Policyholder tax adjustments	5(b)(v)	146	-	146	(4)	-	(4)	(7)	-	(7)
Exchange rate gain (ZAR/GBP)	5(b)(vi)	4	-	4	-	-	-	-	-	-
Customer remediation	5(b)(vii)	15	-	15	(7)	-	(7)	(7)	-	(7)
Total adjusting items before tax		121	(1)	120	(72)	-	(72)	(116)	71	(45)
Profit/(loss) before tax attributable to equity holders		182	(1)	181	(21)	34	13	12	131	143
Tax attributable to policyholder returns	7(a)	(145)	-	(145)	48	-	48	73	-	73
Income tax credit/(expense)	7(a,b)	114	-	114	(40)	(1)	(41)	(62)	-	(62)
Profit after tax²		151	(1)	150	(13)	33	20	23	131	154

¹Discontinued operations in 2022 relate to the increase in the Merian Warranty provision on the Single Strategy Asset Management business. In 2021, discontinued operations include the results related to Quilter International.

²IFRS profit after tax.

³The new segments replace the segments reported in the 2020 Annual Report and the interim market announcement for the six months to 30 June 2021: Advice and Wealth Management and Wealth Platforms. June 2021 comparatives have been restated as appropriate to reflect the new segmentation.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

5: Alternative performance measures *continued*

5(b): Adjusting items

In determining adjusted profit before tax, the Group's IFRS profit before tax is adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature. These are detailed below.

5(b)(i): Impact of acquisition and disposal-related accounting

Goodwill and other acquired intangibles are recognised on the acquisition of a business and represent the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition (as recognised under IFRS 3 Business Combinations). The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired intangible assets, any acquisition costs, finance costs related to the discounting of contingent consideration and incidental items relating to past disposals.

The effect of these adjustments to determine adjusted profit are summarised below. All adjustments are in respect of continuing operations.

		£m		
	Note	Six months 2022	Six months 2021	Full year 2021
Amortisation of other acquired intangible assets	10	22	23	45
Fair value gains on revaluation of contingent consideration		-	-	(5)
Unwinding of discount on contingent consideration		-	-	1
Total impact of acquisition and disposal-related accounting		22	23	41

5(b)(ii): Business transformation costs

Business transformation costs include four key items: costs associated with the UK Platform Transformation Programme; Optimisation Programme costs, business simplification costs and business separation costs following disposal of Quilter International. For the period ended 30 June 2022, these costs totalled £17 million (30 June 2021: £32 million, 31 December 2021: £70 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 30 June 2022: £nil, 30 June 2021: £22 million, 31 December 2021: £28 million

The Platform Transformation Programme concluded in 2021 with lifetime costs of £202 million. No further costs were incurred in 2022.

Optimisation Programme costs – 30 June 2022: £3 million, 30 June 2021: £10 million, 31 December 2021: £22 million

The Optimisation Programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend and is now materially complete.

In H1 2022, the Group successfully deployed the final delivery of our group-wide general ledger and further consolidated our technology estate particularly our data centre, telephony and data reporting solutions. This work delivered £4 million of the annualised sustainable cost savings in H1 2022 against the 2018 cost base. As a result, the programme has now achieved its target of delivering annualised run-rate cost savings of £65 million by mid-2022, with total implementation costs since inception of £84 million. The Group anticipates the total delivery cost of the programme to be no more than £87 million when it concludes at the end of 2022, below the original £91 million estimate. Further implementation costs in H2 2022 will include the final decommissioning of the legacy finance systems together with anticipated governance, support costs and further severance costs.

Business simplification costs – 30 June 2022: £12 million, 30 June 2021: £nil, 31 December 2021: £nil

The Business Simplification Programme is anticipated to reduce operating costs by £45 million by the end of 2024 on a run-rate basis, with costs expected to be £55 million. In H1 2022, the Group has started to simplify its structures and organisation to support the two segments, Affluent and High Net Worth, with further work planned in the second half of the year. In addition, Quilter has re-engineered its property strategy and delivered early simplification benefits related to the sale of Quilter International. To date, the programme has delivered £13 million of annualised run-rate cost savings with an implementation cost of £12 million. Included within the business simplification costs is £8 million relating to impairment of a right-of-use asset and fixtures and fittings together with expenses relating to an onerous lease contracts provision.

Restructuring costs following the disposal of Quilter Life Assurance – 30 June 2022: £2 million, 30 June 2021: £nil, 31 December 2021: £1 million

Following the sale of Quilter Life Assurance on 31 December 2019, the Group entered into a Transitional Service Agreement with the buyer, ReAssure. During the six months to 30 June 2022, the Group recognised £2 million for property exit costs following the conclusion of the Transitional Service Agreement.

Business separation costs following disposal of Quilter International – 30 June 2022: £nil, 30 June 2021: £nil, 31 December 2021: £19 million

The costs of business separation arise from the process to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data and contracts facilities. A programme team has been established to ensure the transformation of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the time required for incremental resource costs to achieve the separation. The costs are predominantly expected to occur over a three-year period.

The Group has provided for the future restructuring costs arising due to the sale of Quilter International to Utmost Group on 30 November 2021, including the cost of migrating IT systems and data to the acquirer, as the Transitional Service Agreement with Utmost (the acquirer) runs off and the remaining Quilter business is restructured following the disposal.

5(b)(iii): Managed separation costs

For the period ended 30 June 2022, no managed separation costs were incurred (30 June 2021: £1 million, 31 December 2021: £2 million). In prior periods, these one-off costs related to the Group's separation from Old Mutual and were excluded from adjusted profit because they related to a fundamental restructuring of the Group and were not representative of the operating activity of the Group. No further costs associated with managed separation are anticipated.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

5: Alternative performance measures *continued*

5(b)(iv): Finance costs

The nature of much of the Group's operations means that, for management's decision-making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the period ended 30 June 2022, finance costs were £5 million (30 June 2021: £5 million, 31 December 2021: £10 million).

5(b)(v): Policyholder tax adjustments

For the period ended 30 June 2022, the total amount of policyholder tax adjustments to adjusted profit is £146 million (30 June 2021: loss £4 million, 31 December 2021: loss £7 million). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility in the Group's IFRS profit/(loss) before tax attributable to equity holders. Note 7(a) provides further information on the impact of markets on the policyholder tax charge. Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

5(b)(vi): Foreign exchange movements

For the period ended 30 June 2022, these costs were £4 million (June 2021: £nil, 31 December 2021: £nil) and relate to a foreign exchange gain on cash held in South African Rand in preparation for the capital return and final dividend payments in May 2022. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payment to provide an economic hedge for the Group. The foreign exchange gain is fully offset by an equal amount taken directly to retained earnings. See note 3(a) for further detail.

5(b)(vii): Customer remediation

Lighthouse pension transfer advice provision – 30 June 2022: £(15) million, 30 June 2021: £7 million, 31 December 2021: £7 million

The provision for the redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases, excluding the impact of payments made, has decreased by £5 million in the period, which has been recognised in the income statement as a reduction of expenses (30 June 2021: £7 million expense, 31 December 2021: £7 million expense). This decrease reflects the impact of the final redress calculations performed compared with the provision estimated, as part of the ongoing skilled person review. Additionally, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse British Steel pension transfer advice have been received, contributing £10 million to the profit of the Group. These have been excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relate took place prior to the Group's acquisition of the business. Further details of the provision are provided in note 17.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

5: Alternative Performance Measures *continued*

5(c): Reconciliation of IFRS income and expenses to “Total net fee revenue” and “Operating expenses” within adjusted profit

This reconciliation shows how each line of the Group's consolidated IFRS income statement is allocated to the Group's APMs: Net management fees, Total net fee revenue and Operating expenses, which are all defined on pages 5 and 6 and form the Group's adjusted profit before tax for continuing operations. The IFRS income statement column in the table below, down to “Profit/(loss) before tax attributable to equity holders from continuing operations”, reconciles to each line of the Group's condensed consolidated income statement. Allocations are determined by management and aim to show the Group's sources of profit (net of relevant directly attributable expenses). These allocations remain consistent from period to period to ensure comparability, unless otherwise stated.

							£m
	Net mgmt. fees ¹	Other revenue ¹	Total net fee revenue ¹	Operating expenses ¹	Adjusted profit before tax	Consol. of funds ²	Condensed consolidated income statement
Six months 2022							
Income							
Fee income and other income from service activities	277	50	327	-	327	(35)	292
Investment return	-	(4,819)	(4,819)	-	(4,819)	(507)	(5,326)
Other income	-	16	16	4	20	1	21
Total income	277	(4,753)	(4,476)	4	(4,472)	(541)	(5,013)
Expenses							
Change in investment contract liabilities	-	4,825	4,825	-	4,825	-	4,825
Fee and commission expenses, and other acquisition costs	(23)	-	(23)	-	(23)	(3)	(26)
Change in third-party interests in consolidated funds	-	-	-	-	-	555	555
Other operating and administrative expenses	(8)	-	(8)	(278)	(286)	(11)	(297)
Finance costs	-	-	-	(7)	(7)	-	(7)
Total expenses	(31)	4,825	4,794	(285)	4,509	541	5,050
Tax credit attributable to policyholder returns	145	-	145	-	145	-	145
Profit/(loss) before tax attributable to equity holders from continuing operations	391	72	463	(281)	182	-	182
Adjusting items:							
Impact of acquisition and disposal-related accounting	-	-	-	22	22		
Business transformation costs	-	-	-	17	17		
Finance costs	-	-	-	5	5		
Exchange rate gain (ZAR/GBP)	-	(4)	(4)	-	(4)		
Customer remediation	-	(10)	(10)	(5)	(15)		
Policyholder tax adjustments	(146)	-	(146)	-	(146)		
Adjusting items	(146)	(14)	(160)	39	(121)		
Adjusted profit before tax - continuing operations	245	58	303	(242)	61		

¹The APMs “Net Management Fees”, “Other revenue”, “Total net fee revenue” and “Operating expenses” are commented on within the Financial review.

²Consolidation of funds shows the grossing up impact to the Group's condensed consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's 2021 Annual Report. This grossing up is excluded from the Group's adjusted profit.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

5: Alternative Performance Measures *continued*

5(c): Reconciliation of IFRS income and expenses to 'Total net fee revenue' and 'Operating expenses' within adjusted profit *continued*

						£m	
	Net mgmt. fees ¹	Other revenue ¹	Total net fee revenue ¹	Operating expenses ¹	Adjusted profit before tax	Consol. of funds ²	Condensed consolidated income statement
Six months 2021							
Income							
Fee income and other income from service activities ⁴	321	58	379	-	379	(44)	335
Investment return	-	2,087	2,087	-	2,087	402	2,489
Other income	-	1	1	7	8	1	9
Total income	321	2,146	2,467	7	2,474	359	2,833
Expenses							
Change in investment contract liabilities	-	(2,087)	(2,087)	-	(2,087)	-	(2,087)
Fee and commission expenses, and other acquisition costs ⁴	(27)	3	(24)	-	(24)	(1)	(25)
Change in third-party interests in consolidated funds	-	-	-	-	-	(347)	(347)
Other operating and administrative expenses	(8)	-	(8)	(321)	(329)	(11)	(340)
Finance costs	-	-	-	(7)	(7)	-	(7)
Total expenses	(35)	(2,084)	(2,119)	(328)	(2,447)	(359)	(2,806)
Tax expense attributable to policyholder returns	(48)	-	(48)	-	(48)	-	(48)
Profit/(loss) before tax attributable to equity holders from continuing operations	238	62	300	(321)	(21)	-	(21)
Adjusting items:							
Impact of acquisition and disposal-related accounting	-	-	-	23	23		
Business transformation costs	-	-	-	32	32		
Managed separation costs	-	-	-	1	1		
Finance costs	-	-	-	5	5		
Customer remediation	-	-	-	7	7		
Policyholder tax adjustments	4	-	4	-	4		
Adjusting items	4	-	4	68	72		
Adjusted profit before tax after reallocation	242	62	304	(253)	51		
Reallocation of Quilter International costs ³	-	-	-	5	5		
Adjusted profit before tax - continuing operations	242	62	304	(248)	56		

¹The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial review.

²Consolidation of funds shows the grossing up impact to the Group's condensed consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's 2021 Annual Report. This grossing up is excluded from the Group's adjusted profit.

³See note 4(b) for details of cost reallocations.

⁴See note 3(b) for details of changes to comparative amounts.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

5: Alternative Performance Measures *continued*

5(c): Reconciliation of IFRS income and expenses to 'Total net fee revenue' and 'Operating expenses' within adjusted profit *continued*

						£m	
Year ended 31 December 2021	Net mgmt. fees ¹	Other revenue ¹	Total net fee revenue ¹	Operating expenses ¹	Adjusted profit before tax	Consol. of funds ²	Condensed consolidated income statement
Income							
Fee income and other income from service activities	633	111	744	-	744	(78)	666
Investment return	-	3,294	3,294	-	3,294	708	4,002
Other income	-	1	1	15	16	2	18
Total income	633	3,406	4,039	15	4,054	632	4,686
Expenses							
Change in investment contract liabilities	-	(3,293)	(3,293)	-	(3,293)	-	(3,293)
Fee and commission expenses, and other acquisition costs	(52)	4	(48)	-	(48)	(13)	(61)
Change in third-party interests in consolidated funds	-	-	-	-	-	(599)	(599)
Other operating and administrative expenses	(15)	1	(14)	(602)	(616)	(20)	(636)
Finance costs	-	-	-	(14)	(14)	-	(14)
Total expenses	(67)	(3,288)	(3,355)	(616)	(3,971)	(632)	(4,603)
Profit on business disposal	-	2	2	-	2	-	2
Tax expense attributable to policyholder returns	(73)	-	(73)	-	(73)	-	(73)
Profit before tax attributable to equity holders from continuing operations	493	120	613	(601)	12	-	12
Adjusting items:							
Impact of acquisition and disposal-related accounting	-	-	-	41	41		
Profit on business disposal	-	(2)	(2)	-	(2)		
Business transformation costs	-	-	-	51	51		
Managed separation costs	-	-	-	2	2		
Finance costs	-	-	-	10	10		
Policyholder tax adjustments	7	-	7	-	7		
Customer remediation	-	-	-	7	7		
Adjusting items	7	(2)	5	111	116		
Adjusted profit before tax after reallocation	500	118	618	(490)	128		
Reallocation of Quilter International costs ³	-	-	-	10	10		
Adjusted profit before tax - continuing operations	500	118	618	(480)	138		

¹The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial review.

²Consolidation of funds shows the grossing up impact to the Group's condensed consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's 2021 Annual Report. This grossing up is excluded from the Group's adjusted profit.

³See note 4(b) for details of cost reallocations.

⁴See note 3(b) for details of changes to comparative amounts.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

6: Segmental information

6(a): Segmental presentation

As part of the Group's strategic ambitions to drive growth, and following the disposal of Quilter International on 30 November 2021, the Group's Chief Operating Decision Maker agreed to reorganise the Group into two new client-focused operating segments, High Net Worth and Affluent, which is consistent with the manner in which the Group is now structured and managed. For all reporting periods, these segments have been classified as continuing operations in the income statement. Head Office includes certain revenues and central costs that are not allocated to the segments. The new segments replace the segments reported in the 2020 Annual Report and the 2021 interim results, Advice and Wealth Management and Wealth Platforms. Comparatives have been restated as appropriate to reflect the new segmentation.

Adjusted profit before tax is an APM reported to the Group's management and Board. Management and the Board use additional performance indicators to assess the performance of each of the segments, including net client cash flows, assets under management and administration, total net fee revenue and operating margin.

Consistent with internal reporting, income and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate. The Group accounts for inter-segment income and transfers as if the transactions were with third parties at current market prices. Intra-group recharges in respect of operating and administration expenses within businesses disclosed as discontinued operations are not adjusted for potential future changes to the level of remaining costs following the disposal of those businesses.

The segmental information in this note reflects the adjusted and IFRS profit measures for each operating segment as provided to management and the Board. Income is analysed in further detail for each operating segment in note 6(c).

Continuing operations:

High Net Worth

This segment comprises Quilter Cheviot and Quilter Private Client Advisers.

Quilter Cheviot provides discretionary investment management predominantly in the United Kingdom with bespoke investment portfolios tailored to the individual needs of high net worth customers, charities, companies and institutions through a network of branches in London and the regions. Investment management services are also provided by operations in the Channel Islands and the Republic of Ireland.

Quilter Private Client Advisers provide financial advice for protection, mortgages, savings, investments and pensions.

Affluent

This segment is comprised of Quilter Investment Platform, Quilter Investors and Quilter Financial Planning.

Quilter Investment Platform is a leading investment platform provider of advice-based wealth management products and services in the UK, which serves a largely affluent customer base through advised multi-channel distribution.

Quilter Investors is a leading provider of investment solutions in the UK multi-asset market. It develops and manages investment solutions in the form of funds for the Group and third-party clients. It has several fund ranges which vary in breadth of underlying asset class.

Quilter Financial Planning is a restricted and independent financial adviser network including Quilter Financial Advisers and Lighthouse, providing mortgage and financial planning advice and financial solutions for both individuals and businesses through a network of intermediaries. It operates across all markets, from wealth management and retirement planning advice through to dealing with property wealth and personal and business protection needs.

Head Office

In addition to the Group's two operating segments, Head Office comprises the investment return on centrally held assets, central support function expenses, central core structural borrowings and certain tax balances.

Discontinued operations

Quilter International is excluded from the segmental information for the period ended 30 June 2021 as it formed part of discontinuing business. It was also excluded from the segmental information for the period ended 31 December 2021 as it was sold on 30 November 2021. See note 4 for further details.

Quilter International was Quilter's cross-border business, focusing on high net worth and affluent local customers and expatriates in the UK, Asia, the Middle East, Europe and Latin America.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

6: Segmental information *continued*

6(b)(i): Adjusted profit statement - segmental information for the period ended 30 June 2022

The table below presents the Group's continuing operations split by operating segment, reconciling the segmented IFRS income statement (to "Profit/(loss) before tax attributable to equity holders from continuing operations") to adjusted profit before tax.

	Operating segments				£m	
	Notes	Affluent	High Net Worth	Head Office	Consolidation adjustments ¹	Condensed consolidated income statement
Income						
Fee income and other income from service activities		222	105	-	(35)	292
Investment return		(4,822)	3	1	(508)	(5,326)
Other income		52	1	5	(37)	21
Segmental income		(4,548)	109	6	(580)	(5,013)
Expenses						
Change in investment contract liabilities		4,825	-	-	-	4,825
Fee and commission expenses, and other acquisition costs		(23)	-	-	(3)	(26)
Change in third-party interests in consolidated funds		-	-	-	555	555
Other operating and administrative expenses		(203)	(103)	(19)	28	(297)
Finance costs		(2)	-	(5)	-	(7)
Segmental expenses		4,597	(103)	(24)	580	5,050
Profit/(loss) before tax from continuing operations		49	6	(18)	-	37
Tax credit attributable to policyholder returns		145	-	-	-	145
Profit/(loss) before tax attributable to equity holders from continuing operations		194	6	(18)	-	182
Adjusted for non-operating items:						
Impact of acquisition and disposal-related accounting	5(b)(i)	5	17	-	-	22
Business transformation costs	5(b)(ii)	9	-	8	-	17
Finance costs	5(b)(iv)	-	-	5	-	5
Policyholder tax adjustments	5(b)(v)	(146)	-	-	-	(146)
Exchange rate gain (ZAR/GBP)	5(b)(vi)	-	-	(4)	-	(4)
Customer remediation	5(b)(vii)	(15)	-	-	-	(15)
Adjusting items before tax		(147)	17	9	-	(121)
Adjusted profit/(loss) before tax - continuing operations		47	23	(9)	-	61

¹Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

6: Segmental information *continued*

6(b)(ii): Adjusted profit statement - segmental information for the six months ended 30 June 2021

		Operating segments					£m
	Notes	Affluent	High Net Worth	Head Office	Reallocation of Quilter International costs ¹	Consolidation adjustments ²	Condensed consolidated income statement ³
Income							
Fee income and other income from service activities		275	105	-	-	(45)	335
Investment return		2,087	-	-	-	402	2,489
Other income		51	-	-	-	(42)	9
Segmental income		2,413	105	-	-	315	2,833
Expenses							
Change in investment contract liabilities		(2,087)	-	-	-	-	(2,087)
Fee and commission expenses, and other acquisition costs		(25)	-	-	-	-	(25)
Change in third-party interests in consolidated funds		-	-	-	-	(347)	(347)
Other operating and administrative expenses		(249)	(95)	(23)	(5)	32	(340)
Finance costs		(2)	-	(5)	-	-	(7)
Segmental expenses		(2,363)	(95)	(28)	(5)	(315)	(2,806)
Profit/(loss) before tax from continuing operations		50	10	(28)	(5)	-	27
Tax expense attributable to policyholder returns		(48)	-	-	-	-	(48)
Profit/(loss) before tax attributable to equity holders from continuing operations		2	10	(28)	(5)	-	(21)
Adjusted for non-operating items:							
Impact of acquisition and disposal-related accounting	5(b)(i)	7	16	-	-	-	23
Business transformation costs	5(b)(ii)	24	-	8	-	-	32
Managed separation costs	5(b)(iii)	-	-	1	-	-	1
Finance costs	5(b)(iv)	-	-	5	-	-	5
Policyholder tax adjustments	5(b)(v)	4	-	-	-	-	4
Customer remediation	5(b)(vi)	7	-	-	-	-	7
Adjusting items before tax		42	16	14	-	-	72
Adjusted profit/(loss) before tax after reallocation		44	26	(14)	(5)	-	51
Reallocation of Quilter International costs	4(b)	-	-	-	5	-	5
Adjusted profit/(loss) before tax - continuing operations		44	26	(14)	-	-	56

¹See note 4(b) for details of cost reallocations.

²Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

6: Segmental information *continued*

6(b)(iii): Adjusted profit statement - segmental information for the year ended 31 December 2021

		Operating segments					£m
	Notes	Affluent	High Net Worth	Head Office	Reallocation of Quilter International costs ¹	Consolidation adjustments ²	Condensed consolidated income statement
Income							
Fee income and other income from service activities		532	213	-	-	(79)	666
Investment return		3,293	-	1	-	708	4,002
Other income		110	-	-	-	(92)	18
Segmental income		3,935	213	1	-	537	4,686
Expenses							
Change in investment contract liabilities		(3,293)	-	-	-	-	(3,293)
Fee and commission expenses, and other acquisition costs		(48)	-	-	-	(13)	(61)
Change in third-party interests in consolidated funds		-	-	-	-	(599)	(599)
Other operating and administrative expenses		(463)	(187)	(51)	(10)	75	(636)
Finance costs		(4)	-	(10)	-	-	(14)
Segmental expenses		(3,808)	(187)	(61)	(10)	(537)	(4,603)
Profit on sale of subsidiary		2	-	-	-	-	2
Profit/(loss) before tax from continuing operations		129	26	(60)	(10)	-	85
Tax expense attributable to policyholder returns		(73)	-	-	-	-	(73)
Profit/(loss) before tax attributable to equity holders from continuing operations		56	26	(60)	(10)	-	12
Adjusted for non-operating items:							
Impact of acquisition and disposal-related accounting	5(b)(i)	11	30	-	-	-	41
Net profit on business disposals and acquisitions		(2)	-	-	-	-	(2)
Business transformation costs	5(b)(ii)	32	-	19	-	-	51
Managed separation costs	5(b)(iii)	-	-	2	-	-	2
Finance costs	5(b)(iv)	-	-	10	-	-	10
Policyholder tax adjustments	5(b)(v)	7	-	-	-	-	7
Customer remediation	5(b)(vi)	7	-	-	-	-	7
Adjusting items before tax		55	30	31	-	-	116
Adjusted profit/(loss) before tax after reallocation		111	56	(29)	(10)	-	128
Reallocation of Quilter International costs	4(b)	-	-	-	10	-	10
Adjusted profit/(loss) before tax - continuing operations		111	56	(29)	-	-	138

¹See note 4(b) for details of cost reallocations.

²Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

6: Segmental information *continued*

6(c): Breakdown of income

This note analyses the Group's income into further detail based on the types of fees earned and split by operating segment, which is aligned to the Group's customer base.

					£m
	Affluent	High Net Worth	Head Office	Consolidation adjustments	Total continuing operations
Six months 2022					
Premium-based fees	38	12	-	-	50
Fund-based fees ¹	180	88	-	(35)	233
Fixed fees	1	5	-	-	6
Other fee and commission income	3	-	-	-	3
Fee income and other income from service activities	222	105	-	(35)	292
Investment return	(4,822)	3	1	(508)	(5,326)
Other income	52	1	5	(37)	21
Total income	(4,548)	109	6	(580)	(5,013)

					£m	£m
	Affluent	High Net Worth	Head Office	Consolidation adjustments	Total continuing operations	Discontinued operations
Six months 2021						
Premium-based fees	46	11	-	-	57	33
Fund-based fees ^{1,2}	183	94	-	(45)	232	46
Retrocessions received, intra-group	-	-	-	-	-	4
Fixed fees	1	-	-	-	1	14
Exit fees	-	-	-	-	-	6
Other fee and commission income	45	-	-	-	45	-
Fee income and other income from service activities	275	105	-	(45)	335	103
Investment return	2,087	-	-	402	2,489	1,183
Other income	51	-	-	(42)	9	-
Total income	2,413	105	-	315	2,833	1,286

					£m	£m
	Affluent	High Net Worth	Head Office	Consolidation adjustments	Total continuing operations	Discontinued operations
Full year 2021						
Premium-based fees	87	24	-	-	111	45
Fund-based fees ¹	376	189	-	(79)	486	81
Retrocessions received, intra-group	-	-	-	-	-	6
Fixed fees	2	-	-	-	2	26
Exit fees	-	-	-	-	-	11
Other fee and commission income	67	-	-	-	67	-
Fee income and other income from service activities	532	213	-	(79)	666	169
Investment return	3,293	-	1	708	4,002	1,816
Other income	110	-	-	(92)	18	1
Total income	3,935	213	1	537	4,686	1,986

¹Income from fiduciary activities is included within fund-based fees.

²See note 3(b) for details of changes to comparative amounts.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

7: Tax

7(a): Tax charged to the income statement

		£m		
	Note	Six months 2022	Six months 2021	Full year 2021
Current tax				
United Kingdom		20	14	36
Overseas tax		-	-	1
Adjustments to current tax in respect of prior periods		-	(1)	-
Total current tax charge		20	13	37
Deferred tax				
Origination and reversal of temporary differences		(133)	32	36
Effect on deferred tax of changes in tax rates		(1)	(6)	(12)
Adjustments to deferred tax in respect of prior periods		-	1	1
Total deferred tax (credit)/charge		(134)	27	25
Total tax (credited)/charged to income statement - continuing operations		(114)	40	62
Total tax charged to income statement - discontinued operations	4(b)	-	1	-
Total tax (credited)/charged to income statement		(114)	41	62
Attributable to policyholder returns - continuing operations		(145)	48	73
Attributable to equity holders - continuing operations		31	(8)	(11)
Total tax (credited)/charged to income statement - continuing operations		(114)	40	62
Attributable to equity holders - discontinued operations		-	1	-
Total tax charged to income statement - discontinued operations		-	1	-
Total tax (credited)/charged to income statement		(114)	41	62

Policyholder tax

Certain products are subject to tax on policyholders' investment returns. This "policyholder tax" is an element of total tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to equity holders' profits are shown separately in the income statement.

The tax attributable to policyholder returns is the amount payable in the period plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to equity holders.

The Group's income tax credit on continuing operations was £114 million for the period ended 30 June 2022, compared to a charge of £40 million for the prior period. This income tax expense/credit can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility in the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 5(b)(v).

Market movements during the period ended 30 June 2022 resulted in investment losses of £597 million on products subject to policyholder tax. The loss is a component of the total "investment return" loss of £5,326 million shown in the income statement. The impact of the £597 million investment return loss is the primary reason for the £145 million tax credit attributable to policyholder returns in respect of the continuing operations for the period ended 30 June 2022 (30 June 2021: £48 million expense in respect of continuing operations and £nil expense in respect of discontinued operations).

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

7: Tax continued

7(b): Reconciliation of total income tax expense

The income tax charged to profit or loss differs from the amount that would apply if all of the Group's profits from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

		£m		
	Note	Six months 2022	Six months 2021	Full year 2021
Profit before tax from continuing operations		37	27	85
Tax at UK standard rate of 19% (2021: 19%)		7	5	16
Different tax rate or basis on overseas operations		-	1	1
Untaxed and low taxed income		(3)	-	-
Expenses not deductible for tax		1	1	-
Adjustments to current tax in respect of prior years		-	(1)	-
Net movements on unrecognised deferred tax assets		(1)	-	(4)
Effect on deferred tax of changes in tax rates		(1)	(6)	(12)
Adjustments to deferred tax in respect of prior years		-	1	1
Income tax attributable to policyholder returns (net of tax relief)		(117)	39	60
Total tax (credited)/charged to income statement - continuing operations		(114)	40	62
Total tax charged to income statement - discontinued operations	4(b)	-	1	-
Total tax (credited)/charged to income statement		(114)	41	62

7(c): Reconciliation of income tax expense in the income statement to income tax on adjusted profit

		£m		
	Note	Six months 2022	Six months 2021	Full year 2021
Income tax (credit)/expense on continuing operations¹		(114)	40	62
Tax on adjusting items				
Impact of acquisition and disposal-related accounting		4	(2)	4
Business transformation costs		3	6	10
Finance costs		1	1	2
Exchange rate gain (ZAR/GBP)		(1)	-	-
Customer remediation		(3)	1	1
Tax adjusting items				
Policyholder tax adjustments	5(b)(v)	146	(4)	(7)
Other shareholder tax adjustments ²		(24)	1	7
Tax on adjusting items - continuing operations		126	3	17
Less: tax attributable to policyholder returns within adjusted profit - continuing operations ³		(1)	(44)	(66)
Tax charged/(credited) on adjusted profit - continuing operations		11	(1)	13
Tax charged on adjusted profit - discontinued operations		-	1	-
Tax charged on total adjusted profit		11	-	13

¹Includes both tax attributable to policyholders and equity holders, in compliance with IFRS.

²Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 5(b)(v) and shareholder tax adjustments for one-off items in line with the Group's adjusted profit policy.

³Adjusted profit treats policyholder tax as a pre-tax expense (this includes policyholder tax under IFRS and the policyholder tax adjustments) and is therefore removed from the tax charge on adjusted profit.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

8: Earnings per share

The Group calculates earnings per share ("EPS") on a number of different bases. IFRS requires the calculation of basic and diluted EPS. Adjusted EPS reflects earnings that are consistent with the Group's adjusted profit measure and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange. The weighted average number of shares used in all comparative EPS metrics has been restated for the impact of the share consolidation that took place in May 2022 (see note 3(a)).

The Group's EPS (in aggregate, including both continuing and discontinued operations) on these different bases are summarised below.

Basic EPS is calculated by dividing profit after tax attributable to ordinary equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period. The weighted average number of shares excludes Quilter plc shares held within employee benefit trusts ("EBTs") to satisfy the Group's obligations under employee share awards, and Quilter plc shares held in consolidated funds ("Own shares"). Own shares are deducted for the purpose of calculating both basic and diluted EPS.

Diluted EPS recognises the dilutive impact of shares awarded and options granted to employees under share-based payment arrangements, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year.

The Group is also required to calculate HEPS in accordance with the Johannesburg Stock Exchange ("JSE") Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 Headline Earnings. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

			Pence		
	Framework	Notes	Six months 2022	Six months 2021 ¹	Full year 2021 ¹
Basic earnings per share	IFRS	8(b)	11.2	1.4	10.9
Diluted basic earnings per share	IFRS	8(b)	11.1	1.3	10.6
Adjusted basic earnings per share	Group policy	8(b)	3.7	5.9	12.4
Adjusted diluted earnings per share	Group policy	8(b)	3.7	5.8	12.0
Headline basic earnings per share (net of tax)	JSE Listing Requirements	8(c)	11.7	1.4	4.5
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	8(c)	11.6	1.4	4.4

¹EPS comparatives have been restated due to the share consolidation. See note 3(a).

8(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit). Details of the impact on the number of shares from the Quilter share buyback scheme are detailed in note 15.

	Million		
	Six months 2022	Six months 2021 ¹	Full year 2021 ¹
Weighted average number of Ordinary Shares	1,405	1,522	1,488
Own shares including those held in consolidated funds and EBTs	(63)	(79)	(77)
Basic weighted average number of Ordinary Shares	1,342	1,443	1,411
Adjustment for dilutive share awards and options	11	36	39
Diluted weighted average number of Ordinary Shares	1,353	1,479	1,450

¹EPS comparatives have been restated due to the share consolidation. See note 3(a).

8(b): Basic and diluted EPS (IFRS and adjusted profit)

		Six months 2022			Six months 2021			Full year 2021		
	Notes	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit after tax		151	(1)	150	(13)	33	20	23	131	154
Total adjusting items before tax	5(a)	(121)	1	(120)	72	-	72	116	(71)	45
Tax on adjusting items	7(c)	(126)	-	(126)	(3)	-	(3)	(17)	-	(17)
Less: Policyholder tax adjustments	7(c)	146	-	146	(4)	-	(4)	(7)	-	(7)
Adjusted profit after tax after reallocation		50	-	50	52	33	85	115	60	175
Reversal of:										
Reallocation of Quilter International costs ¹		-	-	-	5	(5)	-	10	(10)	-
Adjusted profit after tax		50	-	50	57	28	85	125	50	175

¹Reallocation of Quilter International costs relate to costs that were previously reported as part of Quilter International which were presented within continuing operations in the prior year (30 June 2021: £5 million, 31 December 2021: £10 million) as these did not transfer to Utmost Group (the acquirer) on disposal. There were no such costs in the six months to June 2022. See note 4(b) for additional details.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

8: Earnings per share *continued*

8(b): Basic and diluted EPS (IFRS and adjusted profit) *continued*

		Six months 30 June 2022			Six months 2021 ¹			Full year 2021 ¹	
	Post-tax profit measure used	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations
		Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
Basic EPS	IFRS profit	11.3	(0.1)	11.2	(0.9)	2.3	1.4	1.6	9.3
Diluted EPS	IFRS profit	11.2	(0.1)	11.1	(0.9)	2.2	1.3	1.6	9.0
Adjusted basic EPS	Adjusted profit	3.7	0.0	3.7	4.0	1.9	5.9	8.9	3.5
Adjusted diluted EPS	Adjusted profit	3.7	0.0	3.7	3.9	1.9	5.8	8.6	3.4

¹EPS comparatives have been restated due to the share consolidation. See note 3(a).

8(c): Headline earnings per share

		Six months 2022		Six months 2021 ¹		Full year 2021 ¹	
	Note	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax
Profit attributable to ordinary equity holders			150		20		154
Adjusted for:							
Profit on business disposals	6(a)	-	-	-	-	(90)	(90)
Impairment loss on property, plant and equipment ²		7	7	-	-	-	-
Headline earnings			157		20		64
Headline basic EPS (pence)			11.7		1.4		4.5
Headline diluted EPS (pence)			11.6		1.4		4.4

¹EPS comparatives have been restated due to the share consolidation. See note 3(a).

²Of the impairment, £4 million relates to fixtures and fittings and £3 million relates to right-of-use assets.

9: Dividends

	Payment date	Six months 2022	Six months 2021	Year ended 31 December 2021
2020 Final dividend paid - 3.6p per Ordinary Share	17 May 2021	-	61	61
2021 Interim dividend paid - 1.7p per Ordinary Share	20 September 2021	-	-	28
2021 Final dividend paid - 3.9p per Ordinary Share	16 May 2022	62	-	-
Dividends paid to Ordinary Shareholders		62	61	89

Final and interim dividends paid to Ordinary Shareholders are calculated using the number of shares in issue at the record date less own shares held in employee benefit trusts.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

10: Goodwill and intangible assets

10(a): Analysis of goodwill and intangible assets

The table below shows the movements in cost and amortisation of goodwill and intangible assets.

	£m			
	Goodwill	Software development costs	Other intangible assets	Total
Gross amount				
1 January 2021	356	105	429	890
Disposals ¹	-	(65)	-	(65)
Transfer to non-current assets held for sale	(52)	-	(4)	(56)
30 June 2021	304	40	425	769
Reversal of transfer to non-current assets held for sale ²	52	-	4	56
Disposal of interests in subsidiaries	(50)	-	(4)	(54)
31 December 2021	306	40	425	771
30 June 2022	306	40	425	771
Amortisation and other movements				
1 January 2021	-	(95)	(239)	(334)
Amortisation charge for the period	-	(1)	(23)	(24)
Disposals ¹	-	65	-	65
Transfer to non-current assets held for sale	-	-	2	2
Other movements	-	1	-	1
30 June 2021	-	(30)	(260)	(290)
Amortisation charge for the period	-	(1)	(22)	(23)
Reversal of transfer to non-current assets held for sale ²	-	-	(2)	(2)
Disposals	-	-	2	2
Other movements	-	(1)	-	(1)
31 December 2021	-	(32)	(282)	(314)
Amortisation charge for the period	-	(2)	(22)	(24)
30 June 2022	-	(34)	(304)	(338)
Carrying amount				
30 June 2021	304	10	165	479
31 December 2021	306	8	143	457
30 June 2022	306	6	121	433

¹Disposals of £65 million in the year ended 31 December 2021 relate to the write-off of fully amortised software in respect of the Platform Transformation Programme and following the final migration of client assets in February 2021, with all Quilter Investment Platform assets now live on the new platform.

²During the period, a transfer of goodwill and intangible assets to non-current assets held for sale made during the six months to 30 June 2021 was reversed immediately prior to the disposal of these assets as a result of the sale of the Quilter International business on the 30 November 2021.

10(b): Analysis of other intangible assets

	£m				
	30 June 2022	30 June 2021	31 December 2021	Average estimated useful life	Average period remaining
Net carrying value					
Distribution channels - Quilter Financial Planning	6	12	9	8 years	2 years
Customer relationships					
Quilter Cheviot	73	100	86	10 years	3 years
Quilter Financial Planning	24	29	27	8 years	5 years
Quilter Private Client Advisers	16	20	18	8 years	5 years
Other	2	4	3	8 years	2 years
Total other intangible assets	121	165	143		

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

10(c): Allocation of goodwill to cash-generating units ("CGUs") and impairment testing

From 31 December 2021, goodwill is monitored by management at the level of the Group's two operating segments: Affluent and High Net Worth, as disclosed in Note 6(a). Both operating segments represent a group of CGUs. The allocation of goodwill to these segments was based on their individual value-in-use calculations relative to the combined total. At 30 June 2021, the goodwill was allocated to the Group's previous segments Advice and Wealth Management and Wealth Platforms.

	£m	
	30 June 2022	31 December 2021
Goodwill (net carrying amount)		
Affluent	225	225
High Net Worth	81	81
Total goodwill	306	306

Impairment review

In accordance with the requirements of IAS 36 Impairment of Assets, goodwill in both the Affluent and High Net Worth CGU groups is tested for impairment annually, or earlier if an indicator of impairment exists, by comparing the carrying value of the CGU group to which the goodwill relates to the recoverable value of that CGU group, being the higher of that CGU group's value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value. Goodwill impairment indicators include sudden stock market falls, the absence of positive Net Client Cash Flows ("NCCF"), significant falls in profits and significant increases in the discount rate.

An indication of impairment has arisen during the period, given the significant impact that the rise in inflation and the conflict in Ukraine has had on global equity markets and the potential effect this may have on the Group's AuMA and revenue in future periods. Consequently, the goodwill balance has been tested for impairment at 30 June 2022 and continues to demonstrate a surplus of the recoverable amount over the carrying value of the CGUs. As a result, no impairment is required.

The following table details the separate percentages required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables remain the same. This highlights that further adverse movements in the key assumptions used in the CGU value-in-use calculation would be required before an impairment would need to be recognised.

	Affluent	High Net Worth
Reduction in forecast cash flows	65%	74%
Increase in discount rate required	34%	37%

Forecast cash flows are impacted by movements in underlying assumptions, including equity market levels, revenue margins and NCCF. The Group considers that forecast cash flows are most sensitive to movements in equity markets because they have a direct impact on the level of the Group's fee income.

The principal sensitivity within equity market level assumptions relates to the estimated growth in equity market indices included in the three-year revenue forecasts. Management forecasts equity market growth for each business using estimated asset-specific growth rates that are supported by internal research, historical performance, Bank of England forecasts and other external estimates.

Value-in-use methodology

The value-in-use calculations are determined as the sum of net tangible assets and the expected cash flows from existing and expected future new business derived from the business plans. Future cash flow elements allow for the cost of capital needed to support the business.

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which incorporate anticipated equity market growth on the Group's future cash flows, and costs associated with incorporating climate-related risks within the Enterprise Risk Management Framework and climate-related financial disclosures. These cash flows change at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecasts, the growth rate used to determine the terminal value of the CGUs in the annual assessment was 2.0% (2021: 2.0%), which is lower than the UK long-term growth rate. Market share and market growth information is also used to inform the expected volumes of future new business.

IAS 36 does not permit any cost savings linked to future restructuring activity to be included within the value-in-use calculation unless an associated restructuring provision has also been recognised. Consequently, for the purpose of the value-in-use calculation, a number of planned cost savings (and the related implementation costs), primarily in relation to the Business Simplification programme, have been removed from the future cash flows.

The Group uses a single cost of capital of 9.6% (2021: 9.5%) to discount future expected business plan cash flows across its two groups of CGUs because they are perceived to present a similar level of risk. Capital is provided to the Group predominantly by shareholders with a relatively small amount of debt financing. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond and property lease holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

11: Financial investments

The table below analyses the investments and securities that the Group invests in, either on its own proprietary behalf (shareholder funds) or on behalf of third parties (policyholder funds).

	£m		
	30 June 2022	30 June 2021	31 December 2021
Government and government-guaranteed securities	194	758	649
Other debt securities, preference shares and debentures	1,553	2,001	1,662
Equity securities	5,667	11,236	7,251
Pooled investments	34,691	54,060	38,002
Short-term funds and securities treated as investments	1	1	1
Total financial investments	42,106	68,056	47,565
Less: financial investments classified as held for sale ¹	-	(23,019)	-
Total financial investments (as per the statement of financial position)	42,106	45,037	47,565
Recoverable within 12 months	42,106	68,056	47,565
Total financial investments	42,106	68,056	47,565

¹Financial investments held for sale relate to the sale of Quilter International, as explained in note 4(e).

The financial investments recoverability profile is based on the intention with which the financial assets are held. These assets are held to cover the liabilities for linked investment contracts, all of which can be withdrawn by policyholders on demand.

12: 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, refer to note 13. The Group's exposure to various risks associated with financial instruments is discussed in the 2021 Annual Report.

30 June 2022

	£m			
Measurement basis	Fair value			
	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities
Assets				
Investments in associated undertakings ¹	-	-	-	1
Loans and advances	-	-	34	-
Financial investments	42,106	-	-	-
Trade, other receivables and other assets	-	-	467	56
Derivative assets	8	-	-	-
Cash and cash equivalents	924	-	869	-
Total assets that include financial instruments	43,038	-	1,370	57
Total other non-financial assets	-	-	-	670
Total assets	43,038	-	1,370	727
Liabilities				
Investment contract liabilities	-	37,167	-	-
Third-party interests in consolidation of funds	5,404	-	-	-
Borrowings and lease liabilities	-	-	293	-
Trade, other payables and other liabilities	-	-	493	122
Derivative liabilities	30	-	-	-
Total liabilities that include financial instruments	5,434	37,167	786	122
Total other non-financial liabilities	-	-	-	103
Total liabilities	5,434	37,167	786	225

¹Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

12: Categories of financial instruments *continued*

30 June 2021

					£m
Measurement basis	Fair value				
	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities	Total
Assets					
Investments in associated undertakings ¹	-	-	-	1	1
Loans and advances	-	-	32	-	32
Financial investments	45,036	1	-	-	45,037
Trade, other receivables and other assets	-	-	561	54	615
Derivative assets	9	-	-	-	9
Cash and cash equivalents	842	-	861	-	1,703
Total assets that include financial instruments	45,887	1	1,454	55	47,397
Total other non-financial assets	-	-	-	717	717
Total assets net of held for sale	45,887	1	1,454	772	48,114
Assets classified as held for sale					
Loans and advances	174	-	-	-	174
Financial investments	23,003	-	16	-	23,019
Trade, other receivables and other assets	-	-	22	196	218
Cash and cash equivalents	125	-	61	-	186
Total other non-financial assets	-	-	-	449	449
Total assets classified as held for sale ²	23,302	-	99	645	24,046
Total assets	69,189	1	1,553	1,417	72,160
Liabilities					
Investment contract liabilities	-	38,804	-	-	38,804
Third-party interests in consolidation of funds	6,698	-	-	-	6,698
Borrowings and lease liabilities	-	-	312	-	312
Trade, other payables and other liabilities	-	-	562	109	671
Derivative liabilities	26	-	-	-	26
Total liabilities that include financial instruments	6,724	38,804	874	109	46,511
Total other non-financial liabilities	-	-	-	215	215
Total liabilities net of held for sale	6,724	38,804	874	324	46,726
Liabilities classified as held for sale					
Investment contract liabilities	-	23,202	-	-	23,202
Borrowings and lease liabilities	-	-	12	-	12
Trade, other payables and other liabilities	-	-	102	-	102
Total other non-financial liabilities	-	-	-	376	376
Total liabilities classified as held for sale ²	-	23,202	114	376	23,692
Total liabilities	6,724	62,006	988	700	70,418

¹Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

²Assets held for sale relate to sale of Quilter International, as explained in note 4(e).

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

12: Categories of financial instruments *continued*

31 December 2021

31 December 2022

Measurement basis	Fair value				£m
	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities	Total
Assets					
Investments in associated undertakings ¹	-	-	-	2	2
Loans and advances	-	-	29	-	29
Financial investments	47,564	-	-	1	47,565
Trade, other receivables and other assets	-	-	325	56	381
Derivative assets	14	-	-	-	14
Cash and cash equivalents	1,216	-	848	-	2,064
Total assets that include financial instruments	48,794	-	1,202	59	50,055
Total other non-financial assets	-	-	-	685	685
Total assets	48,794	-	1,202	744	50,740
Liabilities					
Investment contract liabilities	-	41,071	-	-	41,071
Third-party interests in consolidation of funds	6,898	-	-	-	6,898
Borrowings and lease liabilities	-	-	299	-	299
Trade, other payables and other liabilities	-	-	370	114	484
Derivative liabilities	15	-	-	-	15
Total liabilities that include financial instruments	6,913	41,071	669	114	48,767
Total other non-financial liabilities	-	-	-	234	234
Total liabilities	6,913	41,071	669	348	49,001

¹Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

13: Fair value methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of the fair value hierarchy (see note 13(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

13(a): Determination of fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market exit prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs:

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date, all suspended assets are assessed for impairment; and
- where the assets are private company shares or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements where available, or if more recent, financial statements for the fund or a statement of valuation provided by the management of the private company or fund.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. Where assets are valued by the Group, the general principles applied to those instruments measured at fair value are outlined below:

Loans and advances

Loans and advances include loans to policyholders, loans to brokers, and other secured and unsecured loans. Loans and advances to policyholders of investment-linked contracts are measured at fair value. All other loans are stated at their amortised cost.

Financial investments

Financial investments include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated.

Other financial investments that are measured at fair value use observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising various approaches including discounted cash flows, the application of an earnings before interest, tax, depreciation and amortisation multiple or any other relevant technique.

Derivatives

The fair value of derivatives is determined with reference to the exchange-traded prices of the specific instruments. The fair value of over-the-counter forward foreign exchange contracts is determined by the underlying foreign currency exchange rates.

Investment contract liabilities

The fair value of the investment contract liabilities is determined with reference to the underlying funds that are held by the Group.

Third-party interests in consolidated funds

Third-party interests in consolidated funds are measured at the attributable net asset value of each fund.

Borrowings and lease liabilities

Borrowings and lease liabilities are stated at amortised cost.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

13: Fair value methodology *continued*

13(b): Fair value hierarchy

Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, policyholder loans (where they form part of a policyholder's unit-linked policy) and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Over-the-counter ("OTC") derivatives, certain privately placed debt instruments and third-party interests in consolidated funds which meet the definition of Level 2 financial instruments.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

13(c): Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 or Level 3 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine the fair value of the instrument become unobservable. Transfers from Levels 3 or 2 to Level 1 are also possible when assets become actively priced.

There were no transfers of financial investments from Level 1 to Level 2 during the period (30 June 2021: £46 million, 31 December 2021: £16 million). There were no transfers of financial investments from Level 2 to Level 1 during the period (30 June 2021: £48 million, 31 December 2021: £85 million). The movements during the year to 31 December 2021 were matched closely by transfers of investment contract liabilities. See note 13(e) for the reconciliation of Level 3 financial instruments.

13(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The majority of the Group's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1) and there have been no significant changes during the period.

The linked assets are held to cover the liabilities for linked investment contracts (net of reinsurance). The difference between linked assets and linked liabilities is principally due to short-term timing differences between policyholder premiums being received and invested in advance of policies being issued, and tax liabilities within funds which are reflected within the Group's tax liabilities.

Differences between assets and liabilities within the respective levels of the fair value hierarchy also arise due to the mix of underlying assets and liabilities within consolidated funds. In addition, third-party interests in consolidated funds are classified as Level 2.

The table below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the condensed consolidated statement of financial position according to their IFRS 9 classification (see note 12 for further details).

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

13: Fair value methodology *continued*

13(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy *continued*

	30 June 2022		30 June 2021		31 December 2021	
	£m	%	£m	%	£m	%
Financial assets measured at fair value						
Level 1	37,312	86.7%	61,811	89.4%	41,996	86.0%
Level 2	5,702	13.2%	5,826	8.4%	6,771	13.9%
Level 3	24	0.1%	1,553	2.2%	27	0.1%
Total	43,038	100.0%	69,190	100.0%	48,794	100.0%
Financial liabilities measured at fair value						
Level 1	37,145	87.2%	60,059	87.3%	41,047	85.5%
Level 2	5,434	12.8%	7,120	10.4%	6,913	14.4%
Level 3	22	0.0%	1,551	2.3%	24	0.1%
Total	42,601	100.0%	68,730	100.0%	47,984	100.0%

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 13(b):

	£m			
30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	37,312	5,702	24	43,038
Financial investments	36,388	5,694	24	42,106
Cash and cash equivalents	924	-	-	924
Derivative assets	-	8	-	8
Total assets measured at fair value	37,312	5,702	24	43,038
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	5,434	-	5,434
Third-party interests in consolidated funds	-	5,404	-	5,404
Derivative liabilities	-	30	-	30
Designated (fair value through profit or loss)	37,145	-	22	37,167
Investment contract liabilities	37,145	-	22	37,167
Total liabilities measured at fair value	37,145	5,434	22	42,601

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

13: Fair value methodology *continued*

13(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy *continued*

				£m
30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	40,409	5,430	48	45,887
Financial investments	39,567	5,421	48	45,036
Cash and cash equivalents	842	-	-	842
Derivative assets	-	9	-	9
Designated (fair value through profit or loss)	1	-	-	1
Financial investments	1	-	-	1
Total assets net of held for sale	40,410	5,430	48	45,888
Total assets classified as held for sale	21,401	396	1,505	23,302
Loans and advances ¹	174	-	-	174
Financial investments	21,102	396	1,505	23,003
Cash and cash equivalents	125	-	-	125
Total assets measured at fair value	61,811	5,826	1,553	69,190
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	6,724	-	6,724
Third-party interests in consolidated funds	-	6,698	-	6,698
Derivative liabilities	-	26	-	26
Designated (fair value through profit or loss)	38,758	-	46	38,804
Investment contract liabilities	38,758	-	46	38,804
Total liabilities net of held for sale	38,758	6,724	46	45,528
Total liabilities classified as held for sale	21,301	396	1,505	23,202
Investment contract liabilities	21,301	396	1,505	23,202
Total liabilities measured at fair value	60,059	7,120	1,551	68,730

¹Loans and advances mandatorily at fair value through profit or loss, included within fair value Level 1, solely relate to policyholder loans in Quilter International.

				£m
31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	41,996	6,771	27	48,794
Financial investments	40,780	6,757	27	47,564
Cash and cash equivalents	1,216	-	-	1,216
Derivative assets	-	14	-	14
Total assets measured at fair value	41,996	6,771	27	48,794
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	6,913	-	6,913
Third-party interests in consolidated funds	-	6,898	-	6,898
Derivative liabilities	-	15	-	15
Designated (fair value through profit or loss)	41,047	-	24	41,071
Investment contract liabilities	41,047	-	24	41,071
Total liabilities measured at fair value	41,047	6,913	24	47,984

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

13: Fair value methodology *continued*

13(e): Level 3 fair value hierarchy disclosure

The majority of the assets classified as Level 3 are held within linked policyholder funds. Where this is the case, all of the investment risk associated with these assets is borne by policyholders and the value of these assets is exactly matched by a corresponding liability due to policyholders. The Group bears no risk from a change in the market value of these assets except to the extent that it has an impact on management fees earned.

Level 3 assets also include third-party investments within consolidated funds. The Group bears no risk from a change in the market value of these assets and any changes in market value are matched by a corresponding Level 2 liability within Third-party interests in consolidated funds.

As at June 2021, Level 3 assets also included private equity assets in Quilter International business that was sold in November 2021.

The table below reconciles the opening balance of Level 3 financial assets to the closing balance at each period end:

	£m		
	30 June 2022	30 June 2021	31 December 2021
At beginning of the period	27	1,822	1,822
Fair value gains/(losses) charged to income statement	5	23	(3)
Purchases	-	56	-
Sales	(1)	(2)	-
Transfers in	105	95	8
Transfers out	(112)	(440)	(393)
Disposal of subsidiaries ¹	-	-	(1,406)
Foreign exchange and other movements	-	(1)	(1)
Total Level 3 financial assets	24	1,553	27
Unrealised fair value gains/(losses) charged to income statement relating to assets held at the period end	2	23	(4)

¹During the year to 31 December 2021, Level 3 assets decreased by £1,406 million following the sale of Quilter International to Utmost Group.

Amounts shown as sales arise principally from the sale of private company shares, unlisted pooled investments and from distributions received in respect of holdings in property funds.

Transfers into Level 3 assets in the current period total £105 million (30 June 2021: £95 million, 31 December 2021: £8 million). This is mainly due to suspended funds previously shown within Level 1. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current period of £112 million (30 June 2021: £440 million, 31 December 2021: £393 million) result from a transfer to Level 1 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted.

The table below analyses the type of Level 3 financial assets held:

	£m		
	30 June 2022	30 June 2021	31 December 2021
Pooled investments	24	168	26
Unlisted and stale price pooled investments	-	121	1
Suspended funds	24	47	25
Private equity investments	-	1,385	1
Total Level 3 financial assets	24	1,553	27

As at 30 June 2021, Level 3 assets included £1,385 million of private equity investments, all within Quilter International, reduced to £1 million as at 31 December 2021 within consolidated funds. Currently, the Group does not hold any private equity investments.

The table below reconciles the opening balance of Level 3 financial liabilities to the closing balance at each period end:

	£m		
	30 June 2022	30 June 2021	31 December 2021
At beginning of the year	24	1,820	1,820
Fair value gains/(losses) charged to the income statement	5	23	(3)
Purchases	-	56	-
Sales	-	(2)	-
Transfers in	105	93	5
Transfers out	(112)	(438)	(391)
Disposal of subsidiaries	-	-	(1,406)
Foreign exchange and other movements	-	(1)	(1)
Total Level 3 financial liabilities	22	1,551	24
Unrealised fair value (losses)/gains charged to the income statement relating to liabilities held at the period end	(2)	22	(4)

All of the liabilities that are classified as Level 3 are investment contract liabilities which exactly match against the Level 3 assets held in linked policyholder funds.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

13: Fair value methodology *continued*

13(f): Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 13(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

Comparative amounts for the period ended 30 June 2021 consisted primarily of Level 3 assets that were held within private equity investments, where the valuation of these assets was performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. Following the sale of Quilter International on 30 November 2021, Level 3 assets held within private equity investments reduced significantly with pooled investments becoming the majority of the Group's Level 3 assets at subsequent period ends.

Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment.

For Level 3 assets and liabilities, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (30 June 2021: 10%, 31 December 2021: 10%), representing a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £2 million to the reported fair value of Level 3 assets, both favourable and unfavourable (30 June 2021: £155 million, 31 December 2021: £2 million).

As described in note 13(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

13(g): Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value. The carrying values of these are considered reasonable approximations of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Their classification within the fair value hierarchy would be as follows:

Trade, other receivables and other assets	Level 3
Trade, other payables and other liabilities	Level 3

Cash and cash equivalents (excluding money market funds) are held at amortised cost and therefore not carried at fair value. The cash and cash equivalents that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Loans and advances are financial assets held at amortised cost and therefore not carried at fair value, with the exception of policyholder loans which are categorised as FVTPL. The loans and advances that are held at amortised cost would be classified as Level 3 in the fair value hierarchy.

Borrowed funds are financial liabilities held at amortised cost and therefore not carried at fair value. Borrowed funds relate to subordinated liabilities and would be classified as Level 2 in the fair value hierarchy.

Lease liabilities valued under IFRS 16 are held at amortised cost and therefore not carried at fair value. They would be classified as Level 3 in the fair value hierarchy.

14: Cash and cash equivalents

	£m		
	30 June 2022	30 June 2021	31 December 2021
Cash at bank	582	580	559
Money market funds	924	968	1,216
Cash and cash equivalents in consolidated funds	287	341	289
Total cash and cash equivalents per consolidated statement of cash flows	1,793	1,889	2,064
Less: cash within held for sale	-	(186)	-
Total cash and cash equivalents per statement of financial position	1,793	1,703	2,064

The Group's management does not consider that the cash and cash equivalents balance arising due to consolidation of funds of £287 million (30 June 2021: £341 million, 31 December 2021: £289 million) is available for use in the Group's day-to-day operations. The remainder of the Group's cash and cash equivalents balance of £1,506 million (30 June 2021: £1,548 million, 31 December 2021: £1,775 million) is considered to be available for use by the Group.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

15: Share capital, capital redemption reserve and merger reserve

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. At 30 June 2022, the Company's equity capital comprises 1,404,105,498 Ordinary Shares of 8 1/6 pence each with an aggregated nominal value of £114,668,616 (31 December 2021: 1,655,827,217 Ordinary Shares of 7 pence each with an aggregated nominal value of £115,907,905).

This note gives details of the Company's share capital, shows the movements during the period and also gives details of the merger reserve release of £124 million in the prior year and £25 million release in the current period:

			£m	£m
	Number of Ordinary Shares	Number of B preference shares	Nominal value	Ordinary Share premium
At 1 January 2021	1,783,969,051	-	125	58
Shares cancelled through share buyback programme	(62,995,988)	-	(5)	-
At 30 June 2021	1,720,973,063	-	120	58
Shares cancelled through share buyback programme	(65,145,846)	-	(4)	-
At 31 December 2021	1,655,827,217	-	116	58
Shares cancelled through share buyback programme	(17,704,132)	-	(1)	-
Preference B shares issued	-	1,638,123,085	328	-
Preference B shares redeemed	-	(1,638,123,085)	(328)	-
Share consolidation (including shares cancelled) ¹	(234,017,587)	-	-	-
At 30 June 2022	1,404,105,498	-	115	58

¹To effect the share consolidation, four Ordinary Shares were cancelled so that the total Ordinary Shares were exactly divisible by seven.

15(a): Share capital

On 11 March 2020, the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. The programme completed in January 2022.

On 9 March 2022, the Company announced a capital return of £328 million, equivalent to 20 pence per share, from the net surplus proceeds arising from the sale of Quilter International by way of a B share scheme. Following the return of capital, a share consolidation was completed so that comparability between the market price for Quilter plc's Ordinary Shares before and after the implementation of the B share scheme was maintained.

New Ordinary Shares were issued for existing Ordinary Shares in a ratio of six new shares of 8 1/6 pence each for seven existing shares of 7 pence each resulting in a reduction in the numbers of shares by 234,017,587.

At the end of the reporting period, there is one class of Ordinary Share of 8 1/6 pence each. All shares issued carry equal voting rights. The holders of the Company's Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

15(b): Capital redemption reserve

Following the issue and redemption of the B preference shares as part of the B shares scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the period. The increase in the capital redemption reserve results from the UK company law requirement to maintain the company's capital when shares are redeemed out of the company's distributable profits

15(c): Merger reserve

During the year ended 31 December 2021, a dividend was paid by Quilter Perimeter Holdings Limited up to its parent Quilter plc. The resulting decrease in Quilter Perimeter Holdings Limited's net asset value gave rise to a £124 million impairment of Quilter plc's investment in Quilter Perimeter Holdings Limited and an associated release of the merger reserve reducing it to £25 million.

The remaining balance of the merger reserve has been released in the creation of the B preference shares (the remainder of the B shares were created from retained earnings).

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

16: Investment contract liabilities

The following table provides a summary of the Group's investment contract liabilities:

	£m		
	30 June 2022	30 June 2021	31 December 2021
Carrying amount at 1 January	41,071	57,407	57,407
From continuing operations			
Fair value movements	(5,020)	1,987	2,821
Investment income	195	100	472
Movements arising from investment return	(4,825)	2,087	3,293
From discontinued operations			
Fair value movements	-	1,088	1,646
Investment income	-	95	172
Movements arising from investment return	-	1,183	1,818
Contributions received	2,404	3,462	6,837
Withdrawals and surrenders ¹	(1,370)	(1,952)	(3,866)
Claims and benefits	(112)	(57)	(162)
Other movements	(1)	1	1
Change in liability	(3,904)	4,724	7,921
Currency translation gain	-	(125)	(199)
Transfer to held for sale	-	(23,202)	-
Disposal of subsidiaries	-	-	(24,058)
Investment contract liabilities at end of the period	37,167	38,804	41,071

¹Includes amounts previously presented as maturities of £187 million for the six months to 30 June 2021 and £406 million for the year to 31 December 2021.

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected investments and collective fund investments, whose underlying investments include equities, debt securities, property and derivatives. This investment mix is unique to individual policyholders.

For unit-linked business, the unit liabilities are determined as the value of units credited to policyholders. Since these liabilities are determined on a retrospective basis, no assumptions for future experience are required. Assumptions for future experience are required for unit-linked business in assessing whether the total of the contract costs asset and contract liability is greater than the present value of future profits expected to arise on the relevant blocks of business (the "recoverability test"). If this is the case, then the contract costs asset is restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

17: Provisions

					£m
	Compensation provisions	Sale of subsidiaries	Property provisions	Clawback and other provisions	Total
30 June 2022					
Balance at beginning of the year	41	22	9	21	93
Charge to income statement	3	1	4	1	9
Utilised during the period	(20)	(4)	-	(1)	(25)
Unused amounts reversed	(11)	-	-	(2)	(13)
Balance at 30 June 2022	13	19	13	19	64

					£m
	Compensation provisions	Sale of subsidiaries	Property provisions	Clawback and other provisions	Total
30 June 2021					
Balance at beginning of the year	42	10	-	25	77
Charge to income statement ¹	13	-	-	1	14
Utilised during the period	(3)	(3)	-	(2)	(8)
Unused amounts reversed	(3)	(1)	-	(2)	(6)
Transfer to liabilities held for sale ³	(5)	-	-	-	(5)
Reclassification within statement of financial position	2	-	-	1	3
Balance at 30 June 2021	46	6	-	23	75

					£m
	Compensation provisions	Sale of subsidiaries	Property provisions ²	Clawback and other provisions	Total
31 December 2021					
Balance at beginning of the year	42	10	-	25	77
Charge to income statement ¹	23	17	7	2	49
Utilised during the year	(12)	(4)	-	(4)	(20)
Unused amounts reversed	(10)	(1)	-	(5)	(16)
Disposals ³	(2)	-	-	-	(2)
Reclassification within statement of financial position ²	-	-	2	3	5
Balance at 31 December 2021	41	22	9	21	93

¹Part of the charge to the income statement is included within the discontinued operations income statement.

²Property provisions related to dilapidations and other provisions related to historical licence agreements were reclassified during the year to 31 December 2021 from lease liabilities and accruals respectively reflecting the uncertainty of the amounts to be settled.

³The balance within "Transfer to liabilities held for sale" and "Disposals" relate to the provision balance within Quilter International at 30 June 2021 and at completion of the sale of the business on 30 November 2021.

Compensation provisions

Compensation provisions total £13 million (30 June 2021: £46 million, 31 December 2021: £41 million) and the reduction of £28 million during the period is mainly due to compensation payments made during the period of £20 million and the £11 million release of unused amounts during the period following further review work completed during the period. Compensation provisions are comprised of the following:

Lighthouse pension transfer advice provision of £3 million (30 June 2021: £35 million, 31 December 2021: £29 million)

Lighthouse pension transfer advice provided to British Steel members of £2 million (30 June 2021: £28 million, 31 December 2021: £21 million)

A provision for DB to DC pension transfer advice provided by Lighthouse advisers in respect of pension transfers for British Steel Pension Scheme members, prior to Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse, was established within the fair value of the Lighthouse assets and liabilities acquired.

During 2020, the FCA reported the results of its thematic review into the general market of DB to DC pension transfers, which included British Steel Pension Scheme pension transfers. The FCA review determined that the percentage of unsuitable files for British Steel Pension Scheme transfers generally for the industry was higher than those for other DB to DC pension transfers in its thematic sample. The FCA review included a sample of British Steel Pension Scheme pension transfer advice provided by Lighthouse advisers.

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person to review the DB to DC pension transfers that Lighthouse advisers advised on in the period up to Lighthouse transitioning to Quilter's systems and controls following Quilter's acquisition of Lighthouse.

During 2021, a loss assessment and redress calculation methodology was designed by the skilled person following discussions and in collaboration with the FCA, to ensure consistency and compliance with the FCA's Final Guidance 17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers", which was used to calculate redress offers for those cases where the skilled person determines that a customer received unsuitable defined benefit pension transfer advice which caused them to sustain losses. The first offers relating to the provision balance were made to customers during the second half of the 2021 year. During the period to 30 June 2022, the skilled person completed their review of all cases, reflecting the outcome of the suitability review for each case, and all remaining offers were made to customers who received unsuitable advice which caused them to sustain a loss. Subject to FCA confirmation of whether any additional work is required, we anticipate that the skilled person review will conclude during 2022.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2022

17: Provisions continued

A total provision of £2 million (30 June 2021: £28 million, 31 December 2021: £21 million) has been calculated for the redress of British Steel Pension Scheme cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

- (a) Client redress provision of £nil (30 June 2021: £25 million, 31 December 2021: £19 million), comprised of £20 million (30 June 2021: £25 million, 31 December 2021: £23 million) redress payable, less payments made to customers of £20 million, of which £16 million was paid in 2022 (30 June 2021: nil, 31 December 2021: £4 million). During the period, £3 million of the provision which remained unused was reversed.
- (b) Anticipated costs associated with redress activity of £2 million (30 June 2021: £3 million, 31 December 2021: £2 million), comprised of £6 million costs payable (30 June 2021: £3 million, 31 December 2021: £4 million), less payments made of £2 million during 2022 and £2 million during 2021. This provision is recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice provided of a similar nature in relation to cases that the Group considers may have similar characteristics.

During 2020, the Group was also informed by the FCA that it is conducting an enforcement investigation into Lighthouse in respect of whether Lighthouse has breached certain FCA requirements in connection with advising on and arranging DB to DC pension transfers in the period from 1 April 2015 to 30 April 2019. This investigation is ongoing and, therefore, the provision does not include any potential regulatory fines or penalties that could be imposed on Lighthouse in connection with DB to DC pension transfers.

The £3 million insurance recoverable which was included in the fair value of the acquired net assets of Lighthouse has increased during 2022 to £13 million as a result of the insurers confirming coverage on the first cohort of cases reviewed by insurers. Of the £13 million confirmed coverage, £11 million of cash has been received in the period to 30 June 2022, with the remaining £2 million received on 5 July 2022, recognised as an asset at 30 June 2022 and disclosed within "Trade, other receivables and other assets".

An additional £2 million of insurance proceeds were received on 27 July 2022 following the insurers review of a second cohort of cases. This amount was not recognised in the statement of financial position as at 30 June 2022 as coverage had not been confirmed at this date, and therefore the asset was not assessed as virtually certain at that point. The total insurance proceeds received of £15 million represents the maximum coverage of the Lighthouse PI Policies for the period covered by the pension transfer advice.

At the reporting date, a redress calculation has been performed for all customers who received DB to DC pension transfer advice from Lighthouse in respect of the British Steel Pension Scheme and who have had an assessment of unsuitable pension transfer advice as part of the skilled person review, leading to greater certainty over the range of the provision balance and therefore provision sensitivity for changes in assumptions has not been disclosed. The range of outcomes for the remaining provision, including anticipated costs, varies from £1 million (decrease of £1 million) to £3 million (increase of £1 million), with full settlement of payments expected to be completed during 2022.

Customers have the legal right to challenge the result of the skilled person review in respect of their case via a complaint to the Financial Ombudsman Service. Certain customers have made such complaints. The skilled person is independent from the Group and has run a robust process. The Group does not consider any of the complaints to be justified and so the provision does not include any amounts in relation to such complaints.

Lighthouse pension transfer advice provided to members of other schemes of £1 million (30 June 2021: £7 million, 31 December 2021: £8 million)

During 2021, the skilled person review identified unsuitable DB to DC pension advice provided by Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. All suitability assessments for cases currently identified as being in scope have been completed. The provision has been updated at 30 June 2022 reflecting the outcome of the suitability review for all cases currently identified as being in scope, taking account of redress calculations performed by the skilled person using the redress calculation methodology and the offers made to customers who received unsuitable advice which caused them to sustain a loss. The provision of £1 million for the unsuitable cases, which has been recognised at 30 June 2022 is comprised of £3 million redress payable to customers less £2 million paid during 2022. During the period, £5 million of the provision which remained unused was reversed. Payments are expected to be completed during 2022. Subject to FCA confirmation of whether any additional work is required, we anticipate that the skilled person review will conclude during 2022.

Compensation provisions (other) of £10 million (30 June 2021: £11 million, 31 December 2020: £12 million)

Other compensation provisions of £10 million are held within the Group's continuing operations and include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements, any associated litigation costs and the related costs to compensate previous or existing policyholders and customers. This provision represents management's best estimate of expected outcomes based upon previous experience, and a review of the details of each case. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of timing of outflows is that the majority of the balance is expected to be settled within 12 months.

A provision of £4 million, included within the balance, has been recognised at 30 June 2022 relating to potentially unsuitable pension advice provided by advisers including advice provided prior to Quilter's acquisition of the relevant advice businesses. Of this balance, £2 million has been recognised for potentially unsuitable pension advice provided to British Steel Pension Scheme members by Quilter Financial Planning firms other than Lighthouse, following the receipt of a "Dear CEO" letter from the FCA in December 2021, and subsequent release of a consultation paper in March 2022, outlining its proposals for an industry-wide consumer redress scheme for British Steel Pension Scheme pension transfers between 26 May 2016 and 29 March 2018. These British Steel Pension Scheme cases have yet to be reviewed for suitability and an estimate of the provision has been made based upon the Group's experience of the Lighthouse skilled person review.

An indemnification asset of £1 million relating to a certain portion of the potentially unsuitable advice has been recognised within "Trade, other receivables and other assets" representing the amount receivable from the sellers under the terms of the sale agreement.

The Group estimates a reasonably possible change of +/- £3 million from the £10 million balance, based upon a review of the cases and the range of potential outcomes for the customer redress payments.

Sale of subsidiaries

Sale of subsidiaries provisions total £19 million (30 June 2021: £6 million, 31 December 2021: £22 million), and include the following:

Provisions arising on the disposal of Quilter International of £14 million (30 June 2021: £nil, 31 December 2021: £16 million)

Quilter International was sold on 30 November 2021, resulting in provisions totalling £17 million being established in respect of costs related to the disposal including the costs of business separation and data migration activities.

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For the period ended 30 June 2022

17: Provisions continued

The costs of business separation arise from the process required to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, and contracts facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the incremental time and resource costs required to achieve the separation, which is expected to occur over a two-year period.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work has taken place during 2021 in preparation for migration. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of its past experience of previous IT migrations following business disposals, including the recent migration of QLA. The Group estimates a provision sensitivity of +/-25% (£4 million), based upon a review of the range of time periods expected to complete the work required. The provision is expected to be fully utilised over three years from the sale, with £7 million forecast to be paid within one year.

During the period £2 million (2021: £1 million) of the provision has been utilised.

Provisions arising on the disposal of Quilter Life Assurance of Enil (30 June 2021: £2 million, 31 December 2021: £1 million)

Quilter Life Assurance was sold on 31 December 2019, resulting in a number of provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

The costs of business separation arise from the process to separate QLA's infrastructure, which was complex and covered a wide range of areas including people, IT systems, data, contracts and facilities. A programme team was established to ensure the transition of these areas to the acquirer. These provisions were based on external quotations and estimations, together with estimates of the incremental time and resource costs to achieve the separation.

The most significant element of the provision was the cost of migration of IT systems and data to the acquirer. Work took place during 2020 and concluded during 2021. Initial calculation of the provision was based on management's best estimate of the work required, the time it was expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of past experience of previous IT migrations following business disposals.

During the period, £1 million of the provision has been utilised. These were the final costs incurred to close the project.

Sale of Single Strategy Asset Management business provision of £5 million (30 June 2021: £4 million, 31 December 2021: £4 million)

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business (now known as Jupiter Investment Management ("Jupiter")) to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale-related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. The balance decreased to £4 million in the first half of 2021 as a result of the settlement of £2 million related to the 2020 measurement year. The balance has been adjusted for the latest estimate for the 2022 measurement year.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in the relevant Jupiter funds, leading to a reduction in the management fees paid to Jupiter. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows to December 2022 and the latest information received from Jupiter. According to the conditions of the sale agreement, the maximum remaining potential exposure is £14 million for the 2022 calendar year. The expected range of payments based upon the latest information received from Jupiter and the Group's reasonable expectations of AUM invested within Jupiter funds during the 2022 assessment period is between £4 million and £8 million.

The £5 million provision outstanding is estimated to be payable within one year, with expected final settlement due in the first half of 2023.

Property provisions

Property provisions represent the discounted value of expected future costs of reinstating leased property to its original condition at the end of the lease term, and any onerous commitments which may arise in cases where a leased property is no longer being fully utilised by the Group. During 2021, management reviewed the Group's property provisions and the assumptions on which these provisions were based. The review included consideration of external advice on potential future costs, in order to determine a reasonable estimate of the amount to be recognised. The estimate is based upon property location, size of property and an estimate of the charge per square foot. Property provisions are utilised or released when the reinstatement obligations have been fulfilled. The associated asset for property provisions is included within "Property, plant and equipment".

Of the £13 million provision outstanding, £3 million is estimated to be payable within one year. The majority of the balance relates to leased property which has a lease term maturity of more than five years.

Clawback and other provisions

Other provisions include amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties and indemnity commission provisions. Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded.

Included within the balance at 30 June 2022 is £14 million (30 June 2021: £19 million, 31 December 2021: £16 million) of clawback provisions in respect of potential refunds due to product providers on indemnity commission within the Quilter Financial Planning business. This provision, which is estimated and charged as a reduction of revenue on the income statement at the point of sale of each policy, is based upon assumptions determined from historical experience of the proportion of policyholders cancelling their policies, which requires Quilter to refund a portion of commission previously received. Reductions to the provision result from the payment of cash to product providers as refunds or the recognition of revenue where a portion is assessed as no longer payable. The provision has been assessed at the reporting date and adjusted for the latest cancellation information available. At 30 June 2022, an associated balance of £8 million recoverable from brokers is included within "Trade, other receivables and other assets" (30 June 2021: £14 million, 31 December 2021: £9 million).

The Group estimates a reasonably possible change of +/- £5 million, based upon the potential range of outcomes for the proportion of cancelled policies within the clawback provision, and a detailed review of the other provisions.

Of the total £19 million provision outstanding, £9 million is estimated to be payable within one year (30 June 2021: £12 million, 31 December 2021: £13 million).

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For the period ended 30 June 2022

18: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 17). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group routinely monitors and assesses contingent liabilities arising from matters such as business reviews, litigation, warranties and indemnities relating to past acquisitions and disposals.

Contingent liabilities – pension transfer advice redress

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person, under section 166(3)(a) of the Financial Services and Markets Act 2000 ("FSMA"), in relation to DB to DC pension transfer advice provided by Lighthouse advisers. The review covers Lighthouse Advisory Services Limited only, and no other companies within the Group. The review covers the period from 1 April 2015 to 27 January 2020, which is the date that Lighthouse converted to the Quilter Financial Planning advice process for their defined benefit transfer activity following the acquisition of Lighthouse by Quilter.

The review covers British Steel Pension Scheme DB to DC pension transfer advice activity undertaken by Lighthouse advisers, and a representative sample of other Lighthouse DB to DC pension transfer advice activity in the relevant period. The skilled person also calculates redress, using a redress methodology that the skilled person has designed following discussions and in collaboration with the FCA, and to ensure consistency with the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers" guidance for those cases where the skilled person determines that a customer received unsuitable DB to DC pension transfer advice which led to the customer sustaining losses.

The skilled person review is largely complete. Details of provisions for redress payable and payments made are included within Provisions in note 17. Until the skilled person review has finalised, uncertainty exists as to the value of total redress which will be payable and a reliable estimate of all amounts cannot be determined. Subject to FCA confirmation of whether any additional work is required, we anticipate that the skilled person review will conclude during 2022.

Customers have the legal right to challenge the result of the skilled person review in respect of their case via a complaint to the Financial Ombudsman Service. Certain customers have made such complaints. The skilled person is independent from the Group and has run a robust process. The Group does not consider any of the complaints to be justified and so the provision does not include any amounts in relation to such complaints including, but not limited to, any obligations that may arise in the event that any complaints to the Financial Ombudsman Service over the outcome of the skilled person review in respect of particular customers are upheld.

It is possible that further material costs of redress may be incurred in relation to the skilled person review. Further customer redress costs may also be incurred for other potential unsuitable pension transfer advice provided across the Group. The provision recognised does not include any potential regulatory fines or penalties that could be imposed on Lighthouse in connection with DB to DC pension transfers.

During 2020, the Group was also informed by the FCA that it is conducting an enforcement investigation into Lighthouse in respect of whether Lighthouse has breached certain FCA requirements in connection with advising on and arranging DB to DC pension transfers in the period from 1 April 2015 to 30 April 2019. This investigation is ongoing and, therefore, the provision does not include any potential regulatory fines or penalties that could be imposed on Lighthouse in connection with DB to DC pension transfers.

Any further redress costs, and any differences between the provision and final payment to be made for any unsuitable DB to DC pension transfer cases, will be recognised as an expense or credit in the income statement.

Tax

The tax authorities in the principal jurisdictions in which the Group operates routinely review historical transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which it operates. All interpretations made by the Group are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the tax authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources available to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions, amounts eventually payable may differ from the provision recognised.

Complaints, disputes and regulations

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals. The Group does from time to time receive complaints and claims from customers including, but not limited to, complaints to the Financial Ombudsman Service and legal proceedings related thereto, enters into commercial disputes with service providers, and is subject to discussions and reviews with regulators during the normal course of business. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established under IAS 37.

19: Related party transactions

In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm's length basis and are not material to the Group's results. There were no transactions with related parties during the current period or the prior year which had a material effect on the results or financial position of the Group.

20: Events after the reporting date

Interim dividend

Subsequent to 30 June 2022, the Board has declared an interim dividend of 1.2 pence per Ordinary Share. This amounts to £16 million in total and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2022. The interim dividend will be paid on 19 September 2022 to shareholders on the UK and South African share registers.