Quilter

News release

6 March 2024

Quilter plc preliminary results for the year ended 31 December 2023

Quilter delivers a 25% increase in adjusted profit to £167 million and a five percentage point improvement in the operating margin to 27%

Steven Levin, Chief Executive Officer, said:

"2023 was a year of strong delivery. We wrote a higher level of new business and delivered record profitability through higher revenues and 3% lower costs. Our Affluent segment is delivering strong growth while our High Net Worth segment is investing in growth which will be realised over the next few years. The structural need to save for retirement combined with our growth plans and focus on operational efficiency, supported by a strong balance sheet, means we are well positioned as market conditions improve."

Highlights:

- Assets under Management and Administration ("AuMA") of £106.7 billion at 31 December 2023 increased by 7% over the year (31 December 2022: £99.6 billion). This reflects supportive markets into year-end combined with a modest contribution from net flows. Core business net inflows of £832 million (2022: £2,122 million) represented 1% of opening AuMA (2022: 2%). This was supported by continued strong inflows into the Quilter channel with net outflows in the IFA channel, reflective of challenging market conditions.
- Adjusted profit before tax increased by 25% to £167 million (2022: £134 million).
- Revenue increased by 3% to £625 million (2022: £606 million) supported by interest revenue generated on corporate cash balances. This was coupled with robust expense discipline which delivered another year of lower costs, despite inflationary pressures, supporting an increase in the operating margin to 27% (2022: 22%).
- Target £45 million Phase One Simplification cost savings were completed by end 2023, a year earlier than planned. An additional £50 million of Simplification (Phase Two) savings are targeted for delivery by the end of 2025, with £8 million already attained on a run-rate basis by end-2023.
- Broad stabilisation in Quilter restricted adviser headcount which declined by 1% on December 2022 levels. Detailed plans are in place to grow Adviser headcount in 2024 and beyond.
- Adjusted diluted earnings per share increased 19% to 9.4 pence (2022: 7.9 pence).
- IFRS profit after tax attributable to shareholders of £42 million (2022: £175 million) with the year-on-year variance largely due to market valuation changes in the policyholder tax charge. Basic earnings per share of 3.1 pence (2022: 12.2 pence).
- Proposed Full Year Dividend of 5.2 pence per share versus 4.5 pence per share for 2022, representing an increase of 16%.
- Solvency II ratio of 271% after payment of the recommended Final Dividend (31 December 2022: 230%). In late 2023, we obtained a c.£80 million capital benefit (14 percentage point Solvency II ratio contribution) from a reduction in risk margin as a result of changes in the PRA's capital rules.

Key financial highlights

We assess our financial performance using a variety of measures including alternative performance measures ("APMs"), as explained further on pages 18 to 20. In the headings and tables presented, these measures are indicated with an asterisk: *.

Quilter highlights	**2023**	2022
Assets and flows – core business		
AuMA* (£bn)	**103.4**	96.2
Gross flows* (£bn)	**11.1**	10.4
Net inflows* (£bn)	**0.8**	2.1
Net inflows/opening AuMA*	**1%**	2%
Assets and flows – reported		
AuMA* (£bn)	**106.7**	99.6
Gross flows* (£bn)	**11.2**	10.5
Net inflows* (£bn)	**0.1**	1.8
Net inflows/opening AuMA*	**0%**	2%
Profit and loss		
IFRS profit before tax attributable to shareholder returns (£m)	**12**	199
IFRS profit after tax (£m)	**42**	175
Adjusted profit before tax* (£m)	**167**	134
Operating margin*	**27%**	22%
Revenue margin* (bps)	**47**	48
Adjusted diluted EPS* (pence)	**9.4**	7.9
Recommended total dividend per share (pence)	**5.2**	4.5
Basic earnings per share (pence)	**3.1**	12.2

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Steven Levin, CEO, and Mark Satchel, CFO, will give a presentation via webcast at 08:30am (GMT) today, 6 March 2024. The presentation will be followed by a Q&A session.

The presentation will be available to view live via webcast or can be listened to via a conference call facility. Details to join online or via conference call can be found on our website: 2023 results and presentations | Quilter plc

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 forward-looking statements with respect to certain 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 conflict in Ukraine and the Middle-East, 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.

Chief Executive Officer's statement

Business performance

A year ago, I set out my plans to deliver better returns and drive faster growth through building our distribution, enhancing our propositions, and improving our operational efficiency. We have made good progress against each of these targets but there is more to be done to deliver on Quilter's full potential, which I discuss further below. In summary, 2023 was a good year for Quilter. We delivered:

- record profitability under our current corporate perimeter (following disposals of Quilter International and Quilter Life Assurance);
- increased new business flows across the Quilter channel and improved our market share of new gross Platform flows in both the Quilter and IFA channels, despite a lower new business market overall for the industry; and
- improved efficiency, while investing to deliver faster growth and higher returns in the longer-term.

Although higher than expected interest rates in 2023 led to a squeeze in consumer incomes and reduced propensity to invest, we benefitted from higher investment returns on shareholder funds. This, together with robust cost management, delivered a strong increase in adjusted profit of 25% to £167 million (2022: £134 million).

I am pleased to report another year of lower costs, despite inflationary headwinds. In 2022 we reduced costs by £8 million from the 2021 base level of £480 million, and this year we reduced costs by a further £14 million, taking the cost base to £458 million. That represents a decline of 3% in 2023 and contributed to an improvement in operating margin to 27% (2022: 22%), a level that exceeds our 2025 target. We are now focused on our medium-term goal of 30%.

Across our two segments:

- High Net Worth delivered steady income with higher costs reflecting business investment through new adviser and investment manager hires. This led to a decline in adjusted profit before tax to £41 million (2022: £45 million).
- Modestly higher revenues in our Affluent segment of £393 million (2022: £387 million) reflected the contribution from interest income on the shareholder capital which supports the business, partially offset by mix changes and the planned margin reduction on managed assets following the Cirilium reprice at the end of the first quarter of 2023. Strong cost management combined with a lower FSCS levy led to a 18% increase in adjusted profit to £124 million for the year (2022: £105 million).

Group adjusted profit before tax of £167 million represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of normal operations or one-off in nature. The Group's IFRS profit after tax was £42 million compared to £175 million in 2022. Principal differences between adjusted profit and IFRS profit are due to non-cash amortisation of intangible assets, business transformation expenses (which are pre-funded and expensed as incurred), finance costs and the impact of policyholder tax positions on the Group's results. This latter item was negative in 2023 due to the gain in markets and was significantly positive in 2022 reflecting the market decline during that year. Business transformation expenses will remain elevated in 2024 and 2025, reflecting spend on anticipated change programmes, but are expected to reduce substantially thereafter.

Total Group adjusted diluted earnings per share were 9.4 pence, an increase of 19% (2022: 7.9 pence). On an IFRS basis, we delivered basic EPS of 3.1 pence per share versus 12.2 pence per share for 2022.

Flows and investment performance

Turning to flows, at an aggregate level, net flows in our core business were 1% of opening balances, with the reported Group position (after non-core outflows) broadly flat. Although the Group position reflected muted activity levels across the industry, we saw varied trends across the business. Notably, both our Quilter channel and the level of new business onto our Platform were good relative to market peers:

- Across the Quilter channel, we achieved a 16% increase in gross flows to £513 million (2022: £443 million) in our High Net Worth segment, and a 12% increase to £3.6 billion (2022: £3.2 billion) in our Affluent segment.
- New IFA flows in Affluent were around 7% higher, despite lower levels of new business across the market, and declined by a similar amount in our High Net Worth business. We saw net outflows in both segments reflecting higher levels of redemptions and acquisitions of IFA firms and a small number of larger corporate/charity accounts heavily influencing this outcome in our High Net Worth segment.
- Within Affluent, we were particularly pleased that we maintained our position as the leading advised platform for new business flows during the year and we attained the position of the largest UK Advised Platform by assets during the second quarter of 2023 (according to Fundscape).

In terms of investment performance, High Net Worth has been strong, outperforming the ARC PCI Steady Growth and Equity Risk peer groups over 1, 3 and 5 years. Within Affluent, we continued to deliver good performance from our WealthSelect managed portfolio range. Cirilium Passive and Blend also performed well. Pleasingly, since the change in manager for Cirilium Active towards the end of 2022, the performance has improved. We are confident that the fund is now much better positioned.

Business improvement

Distribution

In High Net Worth, we continue to build our advice capability across the UK and internationally in our Dublin and Jersey offices. We also launched a brand refresh in November to reinvigorate market awareness of our Quilter Cheviot proposition and to bring the Financial Planning business under the Quilter Cheviot brand. We plan to grow our client facing professional headcount (investment managers and financial planners) to around 300 over time through developing existing staff and external recruitment. Where appropriate, we will look to take advantage of recent market dislocation by making modest bolt-on acquisitions to bolster our advice business or add teams of investment managers to accelerate our growth plans.

Within Affluent, our Quilter channel is building distribution on three fronts. We are targeting increased:

- adviser numbers, where the position has broadly stabilised versus the reductions seen in recent years. Total adviser headcount declined marginally over the year reflecting a combination of natural attrition and retirements. The loss of advisers directly as a result of market consolidation was significantly lower than in the prior year;
- adviser productivity, where in 2023 we achieved a 22% increase in annual gross flow per adviser to £2.8 million (2022: £2.3 million); and
- adviser assets managed within our propositions through back-book transfers, which totalled c.£750 million during the year.

We continue to improve our share of gross market flows in the IFA channel. Total new business flow from IFAs onto our Platform was up 7% year-on-year despite lower market volumes overall. That led to an improvement in our share of new IFA business to 8.0% from 7.4% in 2022. Notably, in the latter part of the year our share of new business was ahead of our share of total assets under administration for the first time in a number of years.

Proposition

Our Platform and investment solutions are both market-leading propositions. My focus is on ensuring both remain competitively positioned and continue to offer value to customers.

- The reprice of our Cirilium proposition coupled with improved performance in the Active range repositioned the product and we continue to see strong appetite for our Blend and Passive offerings.
- We meaningfully reduced our Platform administration fee to clients, with this partially offset through a clearly communicated sharing arrangement on the interest earned on Platform-held cash. We use our purchasing power to obtain better interest rates than individual clients can get themselves and pass the majority of this benefit onto clients. The overall cost to us over an interest rate cycle is expected to be in line with the basis point of Platform margin attrition that we guided to in March 2023 and while interest rates remain elevated, the net outcome will be better returns for clients and a broadly neutral impact on Platform margins for Quilter.

The nature of our business model meant we were well-positioned for the introduction of Consumer Duty in July 2023. Our unique breadth of distribution means that all our products and services are available across the market, to both our financial advisers and independent financial advisers. That means whether through investment performance or in terms of price/value/service trade-offs, our products and solutions need to be competitive with third-party alternatives. As such, the need to both demonstrate and deliver value is central to our approach. Our unbundled pricing approach is aligned with Consumer Duty principles and puts client choice at the heart of our business. Notwithstanding this, Consumer Duty, rightly, creates an expectation on firms to continuously improve how they deliver customer value. This is something which we are focused on and, as well as the above, some of the initiatives we implemented in 2023 included:

- Tiered Adviser Charging: A Platform upgrade to implement automated tiered adviser charging meets a need that advisers have wanted from industry players for some time. This makes it easy for advisers to put sliding scale advice fees in place, linked to the value of their customers' assets. Most importantly, it supports advisers as they adapt their own businesses to be fully aligned with Consumer Duty principles.
- CashHub: Higher global interest rates means that cash is now seen as an attractive investment alternative for retail clients. To support cash as an asset class we introduced CashHub on our Platform in late 2023 for our advisers and rolled it out to IFAs in early 2024. This allows clients to manage their cash holdings alongside their other Platform assets, with instant access, notice deposits and fixed deposits held at selected banks. This provides market-leading rates together with the ability to maximise depositor protection by parcelling deposits up into individual accounts across a number of institutions, depending on client preference.

Also, in early 2024, we implemented a Platform software upgrade that ensured that clients would not pay an administration fee on cash balances but also allowed those cash balances to count towards the aggregate assets held by a client group for tiered charging under our family linking arrangements. This potentially allows cash held to reduce the overall charge that all members of the family pay for their Platform administration services.

Strategic Transformation

We have strategic programmes underway in each of our principal franchises: the High Net Worth segment, and, in Affluent, our IFA and Quilter channels. This activity is underpinned at a Group level with the next stage of our Simplification programme. Taking each in turn:

1. *High Net Worth evolution*

Over the last few years, we have built a Quilter-branded advice business in our High Net Worth segment which has contributed significant incremental flows to our business. For historical reasons our advice and investment management businesses have been managed through different legal entities which complicates integrated client servicing. In 2024, we plan to bring both teams together in a single legal and regulated structure under the new Quilter Cheviot brand, having applied to extend Quilter Cheviot's regulatory permissions to include financial planning. Alongside the rebrand, this will unify our market proposition for clients with often more complex financial needs and allow us to manage client relationships in a far more seamless way. We will implement this change as soon as necessary regulatory approvals are in place.

2. *Affluent: IFA Channel*

One of the defining characteristics of Quilter is the breadth of the advice proposition and distribution we support. Our dual channel distribution allows our Platform and solutions to administer and manage flows generated by both our own advisers and independent firms. This ensures we are strategically well positioned for however the advice market evolves over time. Both our Platform and investment solutions businesses have capacity to deliver strong operating leverage and have operating metrics which are as good as any in the industry.

Our Platform administers c.£60 billion of assets on behalf of IFA firms which are invested in both our and third-party funds. We aim to grow these assets by increasing the active numbers of firms using our Platform and the share of assets we administer for those firms.

We also offer our leading WealthSelect managed portfolio solution to firms on our Platform, with a view to increasing the percentage of their assets we both manage and administer. From early 2024, we have made WealthSelect available on three third-party platforms which will also provide another source of new business flows into our solutions.

3. *Affluent: Quilter Channel Transformation*

Our advice business advises on c.£15 billion of assets on our Platform and in our solutions, and around £10 billion on third party platforms. This integrated business has the potential to deliver higher returns, and our plans to transform this channel are already delivering improved results. Our focus is on increasing assets on our Platform, improving adviser productivity, reducing support costs, and delivering a better customer experience. This work is on track, and we are currently in the process of selecting preferred suppliers to work with us on this programme.

We have been piloting Quilter Partners – a co-branded proposition with adviser firms where flows are fully aligned with our investment solutions and Platform. This allows us to participate in the growth of these firms while retaining the entrepreneurial drive and focus of self-owned businesses. We have been working with seven potential Quilter partner firms and will undertake further transactions where there is mutual economic alignment for firms to partner with us under this structure.

Adding new advisers to our business is a key contributor to future growth and training new advisers will be an increasing contributor to that growth. We aim to transition our Financial Adviser School into a profession-leading financial advice Academy, and in 2024 we expect a marked step up in investment here. Our target is for the new academy, coupled with new external hires, to deliver net growth in restricted financial planners in 2024 with momentum increasing from 2025 onwards.

4. *Simplification Phase Two*

Following the sale of Quilter Life Assurance and Quilter International, the initial stage of Simplification focused on reducing complexity in our business and decommissioning legacy IT infrastructure. Targeted cost saves of £45 million from this programme were achieved by the end of 2023, on a run-rate basis, a year earlier than originally planned.

Simplification phase two targets a further £50 million of annualised cost savings to be achieved by the end 2025 on a run-rate basis, with a cost to achieve of approximately £65 million, inclusive of spend on our Advice transformation plans and High Net Worth initiatives. These savings arise from the simplification of our governance and internal administration processes, property rationalisation, coupled with IT and Operations efficiencies from our investment in Advice technology. These additional cost savings will support delivery towards our 30% operating margin ambitions and £8 million of this target was delivered by end 2023 on a run-rate basis.

Shareholder returns

The strong profit performance we delivered in 2023 supports the increase in the recommended final dividend of 3.7 pence per share (2022: 3.3 pence). Together with the interim dividend of 1.5 pence per share, this brings the recommended total shareholder payment to 5.2 pence per share, an increase of 16%. This represents a pay-out ratio of 61% (2022: 57%).

We have a strong balance sheet with a Solvency II ratio of 271% after an accrual for payment of the final dividend. The overall ratio benefitted from a change in the calculation of our risk margin which freed up around £80 million of capital and increased the Solvency II ratio by around 14 percentage points. That capital is still in our regulated life company and is expected to be passed back up to the holding companies later this year.

We also completed an Odd-lot Offer during the year which both reduced the cost of managing our shareholder base and provided a mechanism for small shareholders to sell their holdings in a cost-effective manner. The offer completed in November 2023 with the Company acquiring just under 16 million shares at a price of 88.1 pence (ZAR 20.09) per share. This reduced the number of shareholders on our register by around 126,000 (c.60%). These shares have been transferred into the Quilter Employee Benefit Trust and will be used to meet obligations under future staff share awards under compensation plans.

Ongoing advice

Delivering advice is core to how we operate, and we have policies in place that underline the need for advisers to meet their ongoing servicing obligations. Our complaints related to ongoing servicing have remained at a low and consistent level over the last four years.

Where our regular adviser oversight has determined that a customer may not have received the servicing they have paid for, or where we have received complaints from customers regarding ongoing servicing, this has been investigated, and, where appropriate, remediation has been undertaken and recognised as a normal business as usual expense.

Subsequent to the year-end, on 15 February 2024, the FCA wrote to around 20 advice firms, including Quilter, requesting information regarding ongoing servicing. Consistent with our focus on delivering good customer outcomes, we are commencing a review of historical data and practices across our network to determine what, if any, further action may be required. This may lead to remedial costs but it is too early to quantify.

Outlook

Market expectations are for a period of UK interest rate stability before rates begin to decline around the middle of 2024. While that will eventually lead to lower investment income, we welcome this transition as we expect lower interest rates will support market performance and increase consumer focus on longer-term savings products. With wage increases in the UK now outpacing retail price inflation, the environment for longer-term saving is more constructive than has been the situation for some time. Our expectation is that flows will continue to improve over 2024 as consumer and market sentiment returns to more normal levels.

We are focused on driving towards a 30% operating margin. We intend to increase growth investment spend in 2024 and also expect the FSCS levy to increase from current levels. While this will lead to a mid to high single digit increase in operating expenses, our current expectation is for a modest year-on-year increase in Adjusted Profit, excluding any potential costs associated with the aforementioned review of historical advice.

The structural need to save for retirement combined with our growth plans and focus on operational efficiency, supported by a strong balance sheet, means we are well positioned as market conditions improve.

Steven Levin

Chief Executive Officer

Financial review

Review of financial performance

Overview

The Group achieved a strong improvement in adjusted profit performance in 2023 against the backdrop of ongoing geopolitical and macroeconomic uncertainty. Inflationary and interest rate pressures continued to weigh on consumer confidence and disposable income, resulting in a significant headwind to flows as consumers held off on discretionary investment and drew down on savings to service the increased cost of debt.

The Group's reported AuMA was £106.7 billion at the end of the year, a 7% increase on the opening position (2022: £99.6 billion), representing positive market movements towards the year-end of £7.0 billion and net inflows of £0.1 billion. Average AuMA of £102.1 billion for 2023 was 1% lower than prior year (2022: £102.8 billion). Adjusted profit before tax increased by 25% to £167 million (2022: £134 million) despite the subdued flow environment, reflecting the continued delivery of cost management through our Simplification programme and higher interest revenue earned on cash and capital resources. This was partially offset by a 3% decline in net management fee revenue due to lower average AuMA and a 1 bp decrease in revenue margin predominantly due to planned pricing reductions.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 18 to 20. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

Quilter highlights	2023	2022
Assets and flows – core business		
AuMA* (£bn)	**103.4**	96.2
Gross flows* (£bn)	**11.1**	10.4
Net inflows* (£bn)	**0.8**	2.1
Net inflows/opening AuMA*	**1%**	2%
Productivity: Quilter channel gross sales per Quilter Adviser* (£m)[1]	**2.8**	2.3
Asset retention*	**89%**	92%
Assets and flows – reported		
AuMA* (£bn)	**106.7**	99.6
Gross flows* (£bn)	**11.2**	10.5
Net inflows* (£bn)	**0.1**	1.8
Net inflows/opening AuMA*	**0%**	2%
Profit and loss		
IFRS profit before tax attributable to shareholder returns (£m)	**12**	199
IFRS profit after tax (£m)	**42**	175
Adjusted profit before tax* (£m)	**167**	134
Operating margin*	**27%**	22%
Revenue margin* (bps)[2]	**47**	48
Return on equity*	**8.5%**	7.0%
Adjusted diluted EPS * (pence)	**9.4**	7.9
Recommended total dividend per share (pence)	**5.2**	4.5
Basic earnings per share (pence)	**3.1**	12.2
Non-financial		
Total Restricted Financial Planners ("RFPs") in both segments[3]	**1,489**	1,502
Discretionary Investment Managers in High Net Worth segment[3]	**174**	179

[1]Quilter channel gross sales per Quilter Adviser is a measure of the value created by our Quilter distribution channel.
[2]Revenue margin includes interest income on customer cash and cash equivalents previously presented within "Other revenue" and now included within "Net management fees".
[3] Closing headcount as at 31 December.

Net inflows for the core business of £0.8 billion for 2023 were lower than the prior year (2022: £2.1 billion). Gross flows were 7% higher than the prior year at £11.1 billion (2022: £10.4 billion), whilst higher outflows reflected increased levels of client drawdown to offset pressures from higher inflation and interest rates coupled with market consolidation activity.

In the **Affluent segment** core business, net inflows in the Quilter channel of £1.6 billion were in line with the comparative year. Gross flows of £3.6 billion were 12% higher than the prior year (2022: £3.2 billion), demonstrating the continued strength of our integrated channel. We continued our focus on generating back book transfers in 2023, with c.£750 million of assets under advice by Quilter Financial Planning transferring onto our Platform from external platforms. Productivity, representing Quilter channel gross sales per Quilter Adviser, increased to £2.8 million (2022: £2.3 million), in line with our objectives of increasing alignment in our Advice business. Quilter channel gross outflows increased to £2.0 billion (2022: £1.6 billion) primarily due to higher levels of client drawdown during the year.

The IFA channel on Quilter Investment Platform recorded gross inflows of £5.3 billion, up 7% year-on-year (2022: £4.9 billion) reflecting our continued performance in gaining market share of new business despite lower levels of new business flow across the industry. The Quilter Investment Platform continues to maintain the leading market share of gross sales against our Retail Advised Platform peers, based on the latest available Fundscape data (Q3 2023). Net outflows of £0.2 billion (2022: net inflow of £0.4 billion) reflect higher levels of client led redemptions and headwinds from the impact of industry consolidation. Our Platform has continued to win net positive flows from competitor platforms over 2023. Net inflows as a percentage of opening AuMA for the IFA channel on Quilter Investment Platform was nil% (2022: 1%).

Fund flows via third-party platforms reported net outflows of £0.3 billion (2022: net outflows of £0.6 billion), predominantly due to planned fund closures.

Asset retention for the Affluent segment of 89% was below prior year (2022: 91%) due to increased withdrawal activity, inflationary pressure and interest rate headwinds.

Within the **High Net Worth segment**, gross inflows of £2.2 billion were broadly in line with the previous year (2022: £2.3 billion). Net flows were an outflow of £0.1 billion (2022: net inflow of £0.9 billion) primarily due to the slowdown in IFA flows and a small number of larger charity and corporate account losses, which were offset by steady net inflows from the Quilter channel. Asset retention fell 4 percentage points to 91% (2022: 95%) reflecting the higher interest rate environment where some clients have opted to redeem existing investments to repay debt obligations.

The Group's core business AuMA ended the year at £103.4 billion, up 7% from the opening position (2022: £96.2 billion), due to positive year-end market movements of £6.4 billion and net inflows of £0.8 billion. The Affluent segment AuMA increased by 8% to £77.5 billion (2022: £71.5 billion) of which £25.5 billion is managed by Quilter, versus the opening position of £22.7 billion. The High Net Worth Segment AuM was £27.0 billion, up 6% from the opening position of £25.5 billion, with all assets managed by Quilter.

In total, £52.2 billion, representing 50% of core business AuMA, is managed by Quilter across the Group (2022: £48.0 billion, 50%).

The Group's revenue margin of 47 bps was 1 bp lower than the prior year (2022: 48 bps). For assets administered within the Affluent segment, the revenue margin was 27 bps in line with prior year. The revenue margin on assets managed in the Affluent segment decreased by 6 bps to 41 bps as a result of product mix changes, the planned reprice of the Cirilium Active range that occurred at the end of the first quarter of 2023, and the introduction of AuM scale discounts in the second half of the year. The High Net Worth segment's revenue margin decreased by 1 bp to 71 bps primarily due to lower commission revenue, partially offset by revenue from interest margin generated on client balances.

Adjusted profit before tax increased by 25% to £167 million (2022: £134 million). Net management fees of £477 million were lower by 3% (2022: £490 million) primarily as a result of a decline in average AuMA year-on-year of 1% to £102.1 billion (2022: £102.8 billion) and the planned reduction in net management fee margins. Interest revenue generated on client funds included within net management fees were £23 million (2022: £7 million). Other revenue of £86 million decreased by 14% (2022: £100 million) reflecting lower mortgage and protection business levels, reduced activity within the market and slightly lower adviser headcount.

Investment revenue increased from £16 million in 2022 to £62 million in 2023, due to an increase in interest income earned on shareholder cash and capital resources. This level of resources is expected to gradually decline as a result of investment in the business and planned spend on business transformation. Operating expenses decreased by 3% on the prior year to £458 million (2022: £472 million) primarily due to continued strong cost management, lower FSCS levies and Simplification cost initiative savings offset by higher inflation. The Group operating margin improved by 5 percentage points to 27% (2022: 22%).

The Group's IFRS profit after tax was £42 million compared to £175 million for 2022. The year-on-year decrease in IFRS profit is largely attributable to variances in policyholder tax outcomes which moved to an expense of £76 million in 2023 (due to net market gains) from a credit of £134 million (due to net market declines) in 2022.

Adjusted diluted earnings per share increased 19% to 9.4 pence (2022: 7.9 pence).

Total net revenue*

Total net revenue 2023 (£m)	**Affluent**	**High Net Worth**	**Head Office**	**Quilter plc**
Net management fee*[1]	**292**	**185**	**-**	**477**
Other revenue*	**70**	**20**	**(4)**	**86**
Investment revenue*	**31**	**6**	**25**	**62**
Total net revenue*	**393**	**211**	**21**	**625**

Total net revenue 2022 (£m)	Affluent	High Net Worth	Head Office	Quilter plc
Net management fee*[1]	300	190	-	490
Other revenue*	79	21	-	100
Investment revenue*	8	1	7	16
Total net revenue*	387	212	7	606

[1]Net management fee includes the interest earned on client holdings in Quilter Cheviot and Quilter Investment Platform.

Total net revenue for the Affluent segment was £393 million, an increase of 2% year-on-year (2022: £387 million). Net management fees of £292 million were 3% lower than the prior year (2022: £300 million), primarily due to lower average AuMA, the Cirilium Active reprice and the introduction of AuM scale related discounts. A revised Platform pricing policy was introduced in the second half of the year, coupled with an interest sharing arrangement on cash balances held on the Platform. Interest margin generated on cash balances held on the Platform reported within net management fees, amounted to £10 million in 2023 (2022: £nil million). Other revenue predominantly reflects our share of income from the provision of advice within Quilter Financial Planning. Recurring charges and fixed fees were lower than the prior year, predominantly as a result of lower average levels of assets under advice and reduced volumes of new mortgage business. Investment revenue of £31 million (2022: £8 million) represents interest earned on shareholder capital held to meet the regulatory capital requirements of the business.

Total net revenue in the High Net Worth segment was broadly unchanged at £211 million (2022: £212 million). Net management fees, which include interest margin earned on cash balances of £13 million (2022: £7 million), were 3% lower at £185 million (2022: £190 million) largely due to lower average AuM. Investment revenue of £6 million earned on regulatory capital to support the business (2022: £1 million) was higher than prior year due to higher interest rates. Other revenue of £20 million (2022: £21 million), predominantly reflects revenue generated in Quilter Cheviot Financial Planning, and was broadly in line with prior year.

Operating expenses*

Operating expenses decreased by 3% to £458 million (2022: £472 million). Our focus on embedding sustainable cost savings through business simplification activities enabled us to achieve a lower cost base whilst absorbing significant inflationary headwinds.

Operating expenses split (£m)	2023 Operating Expenses	2023 As a percentage of revenues	2022 Operating Expenses	2022 As a percentage of revenues
Support staff costs	**115**		118	
Operations	**21**		22	
Technology	**32**		35	
Property	**30**		31	
Other base costs[1]	**29**		30	
Sub-total base costs	**227**	36%	236	39%
Revenue-generating staff base costs	**96**	15%	92	15%
Variable staff compensation	**74**	12%	75	12%
Other variable costs[2]	**45**	7%	46	8%
Sub-total variable costs	**215**	34%	213	35%
Regulatory/professional indemnity costs	**16**	3%	23	4%
Operating expenses*	**458**	73%	472	78%

[1]Other base costs includes depreciation and amortisation, audit fees, shareholder costs, listed Group costs and governance.
[2]Other variable costs includes FNZ costs, development spend and corporate functions variable costs.

Total base costs reduced by 4% to £227 million (2022: £236 million). Base costs as a percentage of revenues reduced 3 percentage points to 36% (2022: 39%). This reduction reflects the impact of the Business Simplification programme which continued to deliver sustainable savings across support staff, operations, technology and property. This is partially offset by the impact of inflation during the year.

Revenue-generating staff base costs increased by 4% to £96 million (2022: £92 million) and remain at a similar proportion of revenues as we continue to invest in our people and proposition across our business segments to drive growth.

Variable staff compensation of £74 million were at a similar level to 2022 (2022: £75 million).

Other variable costs remained stable at £45 million (2022: £46 million) with increased development spend, which includes costs associated with enhancing our proposition and the implementation of regulatory change such as the FCA's Consumer Duty, offset by lower operating expenses associated with our Platform.

Regulatory and professional indemnity costs decreased by 30% to £16 million (2022: £23 million) predominantly reflecting the lower industry FSCS Levy in 2023. We expect these costs to increase again in 2024 and 2025.

Taxation

The UK corporation tax rate increased to 25% from 19% on 1 April 2023, resulting in a UK blended corporate tax rate of 23.5% for the 2023 financial year. The effective tax rate ("ETR") on adjusted profit before tax was 23% (2022: 14%). The Group's ETR is broadly in line with the UK blended corporation tax rate of 23.5% and there are no material movements for the year. 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 was a charge of £46 million for the year ended 31 December 2023, compared to a credit of £110 million for the prior year. 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 to fund the policyholder tax liability (which is included within the Group's IFRS revenue) 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 shareholder returns. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 10 and in note 5(b) to the condensed consolidated financial statements.

Business Simplification

At our Capital Markets Day in November 2021, we announced a target of £45 million of annualised run-rate savings by the end of 2024. We delivered this a year early. As announced at the half-year results in 2023, the Group expects to achieve a further £50 million of annualised run rate savings by the end of 2025. Approximately £8 million of these additional savings were achieved during 2023 on a run-rate basis.

As at 31 December 2023, the Simplification programme had delivered £53 million of annualised run-rate savings. An incremental £30 million of annualised run-rate savings were achieved during 2023 largely through the continued rationalisation of the Group's technology and property estates together with a reduction in support costs as we simplify our structures and organisation to support our two business segments, Affluent and High Net

Worth. During 2023, the Group spent £25 million on Simplification initiatives (2022: £17 million). The implementation costs to deliver the remaining annualised run-rate savings are estimated to be £78 million.

Lighthouse Defined Benefit to Defined Contribution ("DB to DC") pension transfer advice provision

As reported previously, a provision was recognised in relation to DB to DC pension transfer advice provided by Lighthouse advisers prior to our acquisition of Lighthouse and their subsequent transitioning to our systems.

In 2020, the FCA commenced an enforcement investigation and required Lighthouse to commission a skilled person review in relation to certain DB to DC pension transfer advice by Lighthouse. The skilled person's review concluded in December 2022 and, in May 2023, the FCA issued a public Final Notice to Lighthouse setting out its findings. The FCA found that Lighthouse had provided unsuitable DB to DC pension transfer advice but imposed no financial penalty on Quilter. The FCA agreed that the remaining review work can be conducted as a Group-managed past business review. At 31 December 2023, a provision of £6 million (2022: £5 million) remains for the potential redress of DB to DC pension transfer cases as part of the Group-managed past business review.

Reconciliation of adjusted profit before tax* to IFRS profit

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 29 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 consolidated statement of comprehensive income, but is instead intended to provide additional comparability and understanding of the financial results.

Reconciliation of adjusted profit before tax to IFRS profit after tax (£m)	**2023**	**2022**
Affluent	**124**	105
High Net Worth	**41**	45
Head Office	**2**	(16)
Adjusted profit before tax*	**167**	134
Adjusting items:		
Impact of acquisition and disposal-related accounting	**(39)**	(42)
Business transformation costs	**(28)**	(30)
Finance costs	**(19)**	(10)
Customer remediation	**(6)**	12
Voluntary customer repayments	**-**	(6)
Exchange rate movement (ZAR/GBP)	**(2)**	4
Policyholder tax adjustments	**(62)**	138
Other adjusting items	**1**	(1)
Total adjusting items before tax	**(155)**	65
Profit before tax attributable to shareholder returns	**12**	199
Tax attributable to policyholder returns	**76**	(134)
Income tax (expense)/credit	**(46)**	110
IFRS profit after tax	**42**	175

The impact of acquisition and disposal-related accounting costs of £39 million (2022: £42 million) include amortisation of acquired intangible assets.

Business transformation costs of £28 million were incurred in 2023 (2022: £30 million). Simplification costs, as already noted in this financial review, amounted to £25 million for 2023 (2022: £17 million).

The customer remediation expense of £6 million in 2023 (2022: income of £12 million) reflects an estimate of redress payable and additional legal, consulting and other costs in 2023 related to the Group-managed past business review of Lighthouse. In 2022, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse's DB to DC pension transfer advice cases were received, contributing £12 million to the Group's profit before tax. These impacts are excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relates were provided prior to the Group's acquisition of the business.

Exchange rate movements for 2023 were an expense of £2 million (2022: £4 million income) which relate to foreign exchange movement on cash held in South African Rand in preparation for payments to shareholders.

Policyholder tax adjustments to adjusted profit were a credit of £62 million for 2023 (2022: charge of £138 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 years. 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 before tax.

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 82% of adjusted profit after tax over 2023 (2022: 75%).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £972 million at 31 December 2023 (31 December 2022: £820 million), representing a Solvency II ratio of 271% (31 December 2022: 230%). The Solvency II information for the year to 31 December 2023 contained in this results disclosure has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the foreseeable dividend payment of £50 million (31 December 2022: £45 million).

Group Solvency II capital (£m)	At 31 December 2023[1]	At 31 December 2022[2]
Own funds	**1,540**	1,451
Solvency capital requirement ("SCR")	**568**	631
Solvency II surplus	**972**	820
Solvency II coverage ratio	**271%**	230%

[1]Filing of annual regulatory reporting forms due by 17 May 2024.
[2]As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2022.

The 41 percentage point increase in the Group Solvency II ratio from the 31 December 2022 position is due to a number of favourable developments including the reduction to risk margin as a result of changes to the UK Solvency II rules, positive market variances, business initiatives, and the surpluses recognised by the asset management and advice businesses. The increase in solvency is partly offset by the effect of dividends to shareholders and the capital movements associated with the Odd-lot Offer.

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.

Group own funds (£m)	At 31 December 2023	At 31 December 2022
Tier 1[1]	**1,336**	1,249
Tier 2[2]	**204**	202
Total Group Solvency II own funds	**1,540**	1,451

[1]All Tier 1 capital is unrestricted for tiering purposes.
[2]Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in January 2023.

The Group SCR is covered by Tier 1 capital, which represents 235% of the Group SCR of £568 million. Tier 1 capital represents 87% of Group Solvency II own funds. Tier 2 capital represents 13% of Group Solvency II own funds and 21% of the Group Solvency II surplus.

Final Dividend

The Quilter Board recommended a Final Dividend of 3.7 pence per share at a total cost of £50 million. Subject to shareholder approval at the 2024 Annual General Meeting, the recommended Final Dividend will be paid on Tuesday 28 May 2024 to shareholders on the UK and South African share registers on Friday 19 April 2024 (the "Record Date"). For shareholders on our South African share register, a Final Dividend of 89.02751 South African cents per share will be paid on Tuesday 28 May 2024, using an exchange rate of 24.06149.

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.

Holding company cash (£m)	2023	2022
Opening cash at holding companies at 1 January	**392**	756
Return of capital to shareholders	**-**	(328)
Share repurchase and Odd-lot Offer	**(14)**	(28)
Cost of disposal of Quilter International	**-**	(23)
Single Strategy business sale – price adjustment provision	**(4)**	-
Debt issuance costs	**(2)**	-
Dividends paid	**(65)**	(78)
Net capital movements	**(85)**	(457)
Head Office costs and Business transformation funding	**(43)**	(52)
Net interest received	**13**	4
Finance costs	**(18)**	(9)
Net operational movements	**(48)**	(57)
Cash remittances from subsidiaries	**176**	163
Capital contributions, loan repayments and investments	**(86)**	(15)
Other net movements	**-**	2
Internal capital and strategic investments	**90**	150
Closing cash at holding companies at the end of the year	**349**	392

Net capital movements

Net capital movements in the year totalled an outflow of £85 million. This includes £65 million of dividend payments made to shareholders and £14 million relating to the Odd-lot Offer, £2 million relating to the issuance of new debt, plus £4 million in final settlement following the disposal of the Single Strategy business.

Net operational movements

Net operational movements were an outflow of £48 million for the year, which includes £43 million of corporate and transformation costs, finance costs of £18 million relating to coupon payments on the Tier 2 bonds and non-utilisation fees for the revolving credit facility, and £13 million of net interest received on money market funds, Group loans and cash holdings.

Internal capital and strategic investments

The net inflow of £90 million is principally due to £176 million of cash remittances from the trading businesses, partially offset by £86 million of capital contributions to support business operational activities and further investment in the underlying business.

Shareholder information – Final Dividend

The Quilter Board has agreed to recommend to shareholders the payment of a Final Dividend of 3.7 pence per share. This will be considered at the Quilter plc Annual General Meeting which will be held on Thursday 23 May 2024. Subject to shareholder approval, the Final Dividend will be paid on Tuesday 28 May 2024 to shareholders on the UK and South African share registers on Friday 19 April 2024 (the "Record Date").

Dividend Timetable

Dividend announcement in pounds sterling with South Africa ZAR equivalent	Wednesday 6 March 2024
Last day to trade cum dividend in South Africa	Tuesday 16 April 2024
Shares trade ex-dividend in South Africa	Wednesday 17 April 2024
Shares trade ex-dividend in the UK	Thursday 18 April 2024
Record Date in the UK and South Africa	Friday 19 April 2024
Final Dividend payment date	Tuesday 28 May 2024

From the opening of trading on Wednesday 6 March 2024 until the close of business on Friday 19 April 2024, 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 17 April 2024 and Friday 19 April 2024, both dates inclusive.

Additional information

For shareholders on our South African share register a Final Dividend of 89.02751 South African cents per share will be paid on Tuesday 28 May 2024, based on an exchange rate of 24.06149. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 89.02751 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 Final Dividend will be 71.22201 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.

Supplementary information

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 18 to 20. These measures are indicated with an asterisk: *.

For the year ended 31 December 2023

1. Key financial data

2023 gross flows, net flows & AuMA (£bn), unaudited	AuMA as at 31 December 2022	Gross flows (£m)	Net flows (£m)	AuMA as at 31 December 2023	Of which managed by Quilter AuM as at 31 December 2023
AFFLUENT SEGMENT					
Quilter channel	15.4	3,608	1,608	17.2	13.3
IFA channel on Quilter Investment Platform	54.1	5,251	(164)	58.7	10.6
Funds via third-party platform	2.0	301	(316)	1.6	1.6
Total Affluent segment core business	**71.5**	**9,160**	**1,128**	**77.5**	**25.5**
HIGH NET WORTH SEGMENT					
Quilter channel	2.4	513	369	2.9	2.9
IFA channel incl. Direct	23.1	1,681	(507)	24.1	24.1
Total High Net Worth segment	**25.5**	**2,194**	**(138)**	**27.0**	**27.0**
Inter-Segment Dual Assets[1]	**(0.8)**	**(258)**	**(158)**	**(1.1)**	**(0.3)**
Quilter plc core business	**96.2**	**11,096**	**832**	**103.4**	**52.2**
Non-core	**3.4**	**78**	**(695)**	**3.3**	**2.1**
Quilter plc reported	**99.6**	**11,174**	**137**	**106.7**	**54.3**
Affluent AuMA breakdown (incl. Non-core):					
Affluent administered only	50.0	4,823	270	53.2	
Affluent managed and administered	17.0	3,369	1,520	20.6	
Affluent external platform	7.9	1,046	(1,357)	7.0	

[1] Inter-segment dual assets reflect funds managed by Quilter Cheviot and administered by Quilter Investors and the Quilter Cheviot managed portfolio service solutions available to advisers on the Quilter Investment Platform. This is excluded from total AuMA to ensure no double count takes place.

2022 gross flows, net flows & AuMA (£bn), unaudited	AuMA as at 31 December 2021	Gross flows (£m)	Net flows (£m)	AuMA as at 31 December 2022	Of which managed by Quilter AuM as at 31 December 2022
AFFLUENT SEGMENT					
Quilter channel	16.6	3,218	1,636	15.4	11.5
IFA channel on Quilter Investment Platform	60.0	4,926	445	54.1	9.2
Funds via third-party platform	2.5	242	(621)	2.0	2.0
Total Affluent segment core business	**79.1**	**8,386**	**1,460**	**71.5**	**22.7**
HIGH NET WORTH SEGMENT					
Quilter channel	2.5	443	353	2.4	2.4
IFA channel incl. Direct	26.2	1,827	539	23.1	23.1
Total High Net Worth segment	**28.7**	**2,270**	**892**	**25.5**	**25.5**
Inter-Segment Dual Assets[1]	**(0.2)**	**(276)**	**(230)**	**(0.8)**	**(0.2)**
Quilter plc core business	**107.6**	**10,380**	**2,122**	**96.2**	**48.0**
Non-core	**4.2**	**149**	**(335)**	**3.4**	**2.2**
Quilter plc reported	**111.8**	**10,529**	**1,787**	**99.6**	**50.2**
Affluent AuMA breakdown (incl. Non-core):					
Affluent administered only	55.9	4,894	1,027	50.0	
Affluent managed and administered	17.3	2,621	1,166	17.0	
Affluent external platform	10.1	1,020	(1,068)	7.9	

[1]Inter-segment dual assets reflect funds managed by Quilter Cheviot and administered by Quilter Investors and the Quilter Cheviot managed portfolio service solutions available to advisers on the Quilter Investment Platform. This is excluded from total AuMA to ensure no double count takes place.

Estimated asset allocation (%) **Fund profile by investment type, unaudited**	**2023 Total client AuMA**	2022 Total client AuMA
Fixed interest	**26%**	25%
Equities	**63%**	65%
Cash	**5%**	7%
Property and alternatives	**6%**	3%
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 years indicated.

Key financial highlights	2023	2022	% change
Affluent Administered			
Net management fees (£m)*	185	181	2%
Other revenue (£m)*	2	1	-
Investment revenue (£m)*	25	7	-
Total net revenue	**212**	189	12%
Net inflows (£bn)*	1.8	2.2	(18%)
Closing AuMA (£bn)*	73.8	67.0	10%
Average AuMA (£bn)*	69.6	68.3	2%
Revenue margin (bps)*	27	27	-
Asset retention (%)*	90%	93%	(3) ppts
Affluent Managed			
Net management fees (£m)*	107	119	(10%)
Other revenue (£m)*	-	1	-
Investment revenue (£m)*	3	1	-
Total net revenue	**110**	121	(9%)
Net inflows (£bn)*	0.2	-	-
Closing AuM (£bn)*	27.6	24.9	11%
Average AuM (£bn)*	25.9	25.3	2%
Revenue margin (bps)*	41	47	(6) bps
Asset retention (%)*	83%	87%	(4) ppts
Advice (Quilter Financial Planning)			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	68	77	(12%)
Investment revenue (£m)*	3	-	-
Total net revenue*	**71**	77	(8%)
RFPs (number)	1,419	1,442	(2%)

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 years indicated.

Key financial highlights	2023	2022	% change
Quilter Cheviot			
Net management fees (£m)*	185	190	(3%)
Other revenue (£m)*	1	-	-
Investment revenue (£m)*	5	1	-
Total net revenue	**191**	191	-
Net inflows (£bn)*	(0.1)	0.9	-
Closing AuM (£bn)*	27.0	25.5	6%
Average AuM (£bn)*	25.9	26.4	(2%)
Revenue margin (bps)*	71	72	(1) bp
Asset retention (%)*	91%	95%	(4) ppts
Discretionary Investment Managers (number)*	174	179	(3%)
Advice (Quilter Cheviot Financial Planning)			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	19	21	(10%)
Investment revenue (£m)*	1	-	-
Total net revenue*	**20**	21	(5%)
RFPs (number)	70	60	17%

Financial performance by segment

The following table presents a breakdown of financial performance by segment and Quilter plc for the years indicated.

Financial performance 2023 (£m)	**Affluent**	**High Net Worth**	**Head Office**	**Quilter plc**
Net management fee*[1]	292	185	-	477
Other revenue*	70	20	(4)	86
Investment revenue*	31	6	25	62
Total net revenue*	**393**	**211**	**21**	**625**
Operating expenses*	**(269)**	**(170)**	**(19)**	**(458)**
Adjusted profit before tax*	**124**	**41**	**2**	**167**
Tax				**(38)**
Adjusted profit after tax*				**129**
Operating margin (%)*	32%	19%		**27%**
Revenue margin (bps)*	38	71		**47**

Financial performance 2022 (£m)	Affluent	High Net Worth	Head Office	Quilter plc
Net management fee*[1]	300	190	-	490
Other revenue*	79	21	-	100
Investment revenue*	8	1	7	16
Total net revenue*	387	212	7	606
Operating expenses*	(282)	(167)	(23)	(472)
Adjusted profit before tax*	105	45	(16)	134
Tax				(19)
Adjusted profit after tax*				115
Operating margin (%)*	27%	21%		22%
Revenue margin (bps)*	39	72		48

[1]Net management fee includes the interest earned on client holdings in Quilter Cheviot and Quilter Investment Platform.

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 statement of comprehensive income, statement of financial position and statement of cash flows, which are presented on pages 23 to 26.

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 29 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 consolidated statement of comprehensive income, but is instead intended to provide additional comparability and understanding of the financial results. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 10 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 year explained on page 8. A reconciliation from each line of the Group's IFRS income and expenses to adjusted profit before tax is provided in note 5(c) to the condensed consolidated financial statements.
Adjusted profit after tax	Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.
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 8 of the Financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net revenue. Management use this APM as this is an efficiency measure that reflects the percentage of total net 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 year explained in the adjusted profit section on page 8.
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 pages 7 to 8 and disclosed by segment in the supplementary information on pages 14 to 15.
Net flows	Net flows are 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 revenue. Net flows is referred to throughout this document, with a separate section in the Financial review on pages 7 to 8 and is presented by business and segment in the supplementary information on pages 14 to 15.
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 8 and is presented by business and segment in the supplementary information on pages 14 to 15.
Non-core AuMA	Non-core AuMA and associated gross and net flows represents assets managed on behalf of businesses we have sold together with some legacy funds which are in run-off and remain in outflow.
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 revenue	Total net revenue represents revenue earned from net management fees, investment revenue and other revenue listed below and is a key input into the Group's operating margin. Further information on total net revenue is provided on pages 8 to 9 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, interest earned on client holdings, 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 revenue and is a key input into the Group's operating margin. Further information on net management fees is provided on pages 8 to 9 in the Financial review 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, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)). Other revenue is a part of total net revenue, which is included in the calculation of the Group's operating margin. Further information on other revenue is provided on pages 8 to 9 in the Financial review and note 5(c) in the condensed consolidated financial statements.
Investment revenue	Investment revenue includes interest on shareholder cash balances (including cash at bank and money market funds). Further information on investment revenue is provided on pages 8 to 9 in the Financial review 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 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 9 of the Financial review.
Cash generation	Cash generation is calculated by removing non-cash generative items from adjusted profit after 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 10 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 - (annualised gross outflow divided by opening AuMA). Asset retention is provided for the Group on page 7, and by segment on page 16.
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 7.
Quilter channel gross sales per Quilter Adviser	This measure represents the value created by our Quilter distribution channel and is an indicator of the success of our multi-channel business model. The measure 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. This metric is provided on page 7.
Return on Equity ("RoE")	Return on equity calculates how many pounds of profit the Group generates with each pound of shareholder equity. This measure is calculated as adjusted profit after tax annualised divided by average equity. Equity is adjusted for the impact of discontinued operations, if applicable. Return on equity is provided on page 7.
Adjusted diluted earnings per share	Adjusted diluted earnings per share is calculated as adjusted profit after tax divided by the diluted weighted average number of shares. A view of adjusted diluted earnings per share and the calculation of all EPS metrics, is shown in note 8 to the condensed consolidated financial statements.
Headline earnings per share	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2023 *Headline Earnings*. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 8 of the condensed consolidated financial statements.
Dividend pay-out ratio	The dividend pay-out ratio is an indicator of the total amount of dividends paid to shareholders in relation to the Group's profits expressed as a percentage. It is calculated by dividing the recommended total dividend (in £ millions) by the post-tax, post-interest adjusted profit (in £ millions).

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Statement of Directors' responsibilities

in respect of the preliminary announcement of the Annual Report and the financial statements

The Directors confirm to the best of their knowledge:

- The results in this preliminary announcement have been taken from the Group's 2023 Annual Report, which will be available on the Company's website on 22 March 2024; and
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

Signed on behalf of the Board

Steven Levin	Mark Satchel
Chief Executive Officer	Chief Financial Officer

6 March 2024

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Income			
Fee income and other income from service activities		**542**	581
Investment return		**4,075**	(4,649)
Other income		**9**	28
Total income		**4,626**	(4,040)
Expenses			
Change in investment contract liabilities	15	**(3,313)**	4,318
Fee and commission expenses, and other acquisition costs		**(49)**	(54)
Change in third-party interests in consolidated funds		**(579)**	438
Other operating and administrative expenses		**(575)**	(584)
Finance costs		**(22)**	(13)
Total expenses		**(4,538)**	4,105
Profit before tax		**88**	65
Tax (expense)/credit attributable to policyholder returns	7(a)	**(76)**	134
Profit before tax attributable to shareholder returns		**12**	199
Income tax (expense)/credit	7(a)	**(46)**	110
Less: tax expense/(credit) attributable to policyholder returns		**76**	(134)
Tax credit/(expense) attributable to shareholder returns		**30**	(24)
Profit after tax attributable to the owners of the Company		**42**	175
Total comprehensive income		**42**	175
Earnings per Ordinary Share			
Basic earnings per Ordinary Share (pence)	8	**3.1**	12.2
Diluted earnings per Ordinary Share (pence)	8	**3.1**	12.0

All income and expenses relate to continuing operations.

Consolidated statement of financial position

At 31 December 2023

	Notes	31 December 2023 £m	31 December 2022 £m
Assets			
Goodwill and intangible assets	9	**372**	413
Property, plant and equipment		**91**	112
Investment property		**10**	-
Investments in associates		**2**	1
Contract costs		**16**	10
Loans and advances		**38**	34
Financial investments	10	**50,329**	43,617
Deferred tax assets		**91**	94
Current tax receivable		**33**	10
Trade, other receivables and other assets		**447**	303
Derivative assets		**57**	40
Cash and cash equivalents	13	**1,859**	1,782
Assets held for sale		**-**	1
Total assets		**53,345**	46,417
Equity and liabilities			
Equity			
Ordinary Share capital	14	**115**	115
Ordinary Share premium reserve	14	**58**	58
Capital redemption reserve		**346**	346
Share-based payments reserve		**42**	41
Other reserves		**-**	(1)
Retained earnings		**958**	989
Total equity		**1,519**	1,548
Liabilities			
Investment contract liabilities	15	**43,396**	38,186
Third-party interests in consolidated funds		**7,444**	5,843
Provisions	16	**46**	69
Deferred tax liabilities		**64**	24
Current tax payable		**2**	1
Borrowings and lease liabilities		**279**	290
Trade, other payables and other liabilities		**570**	436
Derivative liabilities		**25**	20
Total liabilities		**51,826**	44,869
Total equity and liabilities		**53,345**	46,417

Approved by the Board of Directors and authorised for issue on 6 March 2024 and signed on its behalf:

Steven Levin
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2023

Year ended 31 December 2023	**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**
									£m
Balance at 1 January 2023	**115**	**58**	**-**	**346**	**-**	**41**	**(1)**	**989**	**1,548**
Profit after tax attributable to the owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42**	**42**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42**	**42**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(65)**	**(65)**
Acquisition of own shares[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**(14)**
Movement in own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**(13)**
Exchange rate movement (ZAR/GBP)[2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Equity-settled share-based payment transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**18**
Aggregate tax effects of items recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**1**
Total transactions with the owners of the Company	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**(72)**	**(71)**
Transfer to retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**(1)**	**-**
Balance at 31 December 2023	**115**	**58**	**-**	**346**	**-**	**42**	**-**	**958**	**1,519**

Year ended 31 December 2022	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
										£m
Balance at 1 January 2022		116	58	-	17	25	42	(1)	1,482	1,739
Profit after tax attributable to the owners of the Company		-	-	-	-	-	-	-	175	175
Total comprehensive income		-	-	-	-	-	-	-	175	175
Dividends		-	-	-	-	-	-	-	(78)	(78)
Ordinary Shares repurchased in the buyback programme[3]	14	(1)	-	-	1	-	-	-	-	-
Issue of B shares[4]	14	-	-	328	-	(25)	-	-	(303)	-
Redemption of B shares[4]	14	-	-	(328)	328	-	-	-	(328)	(328)
Exchange rate movement (ZAR/GBP)[2]		-	-	-	-	-	-	-	(4)	(4)
Movement in own shares		-	-	-	-	-	-	-	22	22
Equity-settled share-based payment transactions		-	-	-	-	-	1	-	23	24
Aggregate tax effects of items recognised directly in equity		-	-	-	-	-	(2)	-	-	(2)
Total transactions with the owners of the Company		(1)	-	-	329	(25)	(1)	-	(668)	(366)
Balance at 31 December 2022		115	58	-	346	-	41	(1)	989	1,548

[1]In November 2023, as a result of an Odd-lot Offer, Quilter plc purchased 15,798,423 of its own Ordinary Shares for £14 million. Those shares were gifted to the Employee Benefit Trust and are held as treasury shares.

[2]For shares registered on the Johannesburg Stock Exchange, the amounts of proposed dividends and share buybacks are set in South African Rand on the relevant Market Announcement date which is prior to the date of payment. The impact of exchange rate movements between these dates is recognised directly in equity. The Group held cash in South African Rand equal to the expected cash outflows and therefore was economically hedged for these payments.

[3]On 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 arising from the sale of Quilter Life Assurance to shareholders. During 2022, the Company acquired 17.7 million shares for a total consideration of £26 million and incurred additional costs of £1 million. The Company had committed to the buyback of these shares during 2021 and had recognised an accrual for £26 million as at 31 December 2021. This was the final tranche of the share buyback programme and was completed in January 2022. The shares, which have a nominal value of £1 million, were subsequently cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006.

[4]On 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 14 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 Share 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. 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.

Consolidated statement of cash flows

For the year ended 31 December 2023

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows except for cash and cash equivalents in consolidated funds (as shown in note 13).

	Notes	**Year ended 31 December 2023** £m	Year ended 31 December 2022 £m
Cash flows from operating activities			
Cash flows from operating activities		**2,137**	1,698
Taxation paid		**(26)**	(22)
Total net cash flows from operating activities	13(b)	**2,111**	1,676
Cash flows from investing activities			
Net purchases and sales of financial investments		**(1,908)**	(1,494)
Purchase of property, plant and equipment		**(1)**	(3)
Proceeds from sale of property, plant and equipment held for sale		**1**	-
Acquisition of interests in subsidiaries[1]		**-**	(5)
Increase in investment in associate		**(1)**	-
Total net cash flows from investing activities		**(1,909)**	(1,502)
Cash flows from financing activities			
Dividends paid to the owners of the Company		**(65)**	(78)
Finance costs on borrowings		**(18)**	(9)
Payment of interest on lease liabilities		**(3)**	(3)
Payment of principal of lease liabilities		**(9)**	(11)
Quilter plc shares acquired under the Odd-lot Offer[2]		**(14)**	-
Quilter plc shares acquired for use within the Group's employee share scheme		**(15)**	-
Redemption of B shares[3]		**-**	(328)
Repurchase and cancellation of Ordinary Shares[4]		**-**	(28)
Exchange rate movements passed to shareholders[5]		**2**	(4)
Proceeds from the issue of subordinated debt		**199**	-
Subordinated debt repaid		**(200)**	-
Total net cash flows from financing activities		**(123)**	(461)
Net increase/(decrease) in cash and cash equivalents		**79**	(287)
Cash and cash equivalents at the beginning of the year		**1,782**	2,064
Effect of exchange rate changes on cash and cash equivalents		**(2)**	5
Cash and cash equivalents at the end of the year	13(a)	**1,859**	1,782

[1]The acquisition of interests in subsidiaries in 2022 resulted from contingent consideration payments relating to historical acquisitions.
[2]Further information relating to the Odd-lot Offer is included within the consolidated statement of changes in equity.
[3]In 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. The capital return was completed in May 2022.
[4]The repurchase and cancellation of Ordinary Shares outflow relates to the cash movements associated with the share buyback programme. Further details are included within the consolidated statement of changes in equity.
[5]The exchange rate movements passed to shareholders relate to foreign exchange gains or losses that have arisen on the capital return and dividend payments to JSE shareholders. Further details are included within the consolidated statement of changes in equity.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2023

General information

Quilter plc (the "Company", the "Parent 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 primarily in the UK. Quilter plc is listed on the London and Johannesburg Stock Exchanges.

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 in this preliminary announcement have been taken from the Group's 2023 Annual report which will be available on the Company's website on 22 March 2024. These condensed consolidated financial statements of Quilter plc for the year ended 31 December 2023 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These condensed consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which are held at fair value, 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 covering 2024 to 2026. 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-in-50 and 1-in-200 year events. As part of the going concern assessment, the Group took into consideration the current position of the UK and global economy including the impact of inflation and increases in the cost of living. The Group also considered how climate-related risks and opportunities affect operations, investment activities and advice and distribution activities and their impact on specific projects and initiatives, estimates and judgements. Based on the assessment, the Directors believe that both the Group and Quilter plc, have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these financial statements and continue to adopt the going concern basis in preparing the Group and Parent Company financial statements. Further information is contained in the viability statement and going concern section of the Annual Report.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity. For each asset and liability line item, those amounts expected to be recovered or settled more than 12 months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's material accounting policies and make estimates and assumptions that affect the reported amounts of 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 material accounting policies adopted in the preparation of these financial statements.

Critical accounting judgements

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

Recognition of provisions following the sale of Quilter International

Management exercised significant judgement in determining the accounting treatment for a number of provisions related to business activities to separate the business from the Group in respect of the sale of Quilter International. Significant judgement was required to assess whether the costs were directly attributable and incremental to the sale and whether a legal or constructive obligation existed in order to recognise the provisions. See note 16 for further details.

Recognition of revenue from the advice business

Given the Group's business model for advice, management is required to exercise significant judgment in assessing the capacity in which the Group is contracting for the purposes of recognising revenue from the advice business under IFRS 15 (Revenue from Contracts with Customers). As a result of the assessment, management has determined that revenue from the advice business should be presented net of certain fees and commissions payable to Appointed Representatives of Quilter companies.

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 the cost of defined benefit pension advice

An estimate is 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 redress as a percentage of pension transfer value and opt-in assumptions. See note 16 for further details.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2023

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 assets under management and administration ("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 adjusting items, is used to determine the extent to which deferred tax assets are recognised. The Group assesses the recoverability of shareholder assets based on estimated taxable profits over a five-year horizon and assesses policyholder assets based on estimated investment growth over the medium term. To the extent that profit estimates extend beyond the normal three-year planning cycle, average profits over the final two years of the plan are used. Based on historic profitability, the Group has taken the approach to assess the recoverability of deferred tax assets beyond the three-year planning cycle for the first time in 2023. Future profit projections show the majority of deferred tax assets being utilised over the next three years. Management has reassessed the sensitivity of the recoverability of deferred tax assets based on the latest forecast cash flows.

Other principal estimates

The Group's assessment of goodwill and intangible assets for impairment uses the latest cash flow forecasts from the Group's three-year Business Plan. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flows, revenue margins, and future expenses and discount rates (see note 9). These forecasts take account of climate-related risks and other responsible business considerations. Management does not consider that the use of these estimates has a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

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

IFRS 17 became effective on 1 January 2023. The Group has assessed all relevant contracts with policyholders. Based on this assessment, it was determined that there are no contracts that will be accounted for under IFRS 17.

The amendments to accounting standards in the table below became applicable for the current reporting year, with no material impact on the Group's consolidated results, financial position or disclosures.

The Group has applied the narrow scope amendment to IAS 12 Income Taxes in respect of the OECD Pillar II international tax rules issued in the current period. In doing so, the Group has applied the exception in IAS 12.4A and accordingly will not recognise or disclose information about deferred tax assets and liabilities related to Pillar II income taxes.

Adopted by the Group from	Amendments to standards
1 January 2023	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
1 January 2023	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies
1 January 2023	Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
1 January 2023	Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules

3: Significant changes in the year

Repayment and new issue of Fixed Rate Reset Subordinated Notes

On 18 January 2023, the Company issued £200,000,000 8.625% Fixed Rate Reset Subordinated Notes (due 18 April 2033) and received net cash proceeds of £199 million. After deducting structuring costs and professional fees, the retained cash proceeds were £197 million. The Notes are listed and regulated under the terms of the London Stock Exchange. On 28 February 2023, the Company repaid the existing £200,000,000 4.478% Fixed Rate Reset Subordinated Notes (due 28 February 2028).

4: Business combinations

4(a): Business disposals

There have been no material disposals of businesses during 2022 and 2023 and there were no profit or loss impacts relating to past business disposals in either year.

The Group made the final payment of £4 million during 2023 in respect of the closure of the warranty relating to the sale of the Single Strategy business. There were no inflows or outflows of cash relating to discontinued operations during 2022 or 2023.

4(b): Business acquisitions

There have been no acquisitions of businesses during 2022 and 2023. A final amount of contingent consideration of £5 million was paid in 2022 in respect of acquisitions prior to 2022. No payments were required in 2023.

Contingent consideration represented 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 varied but included payments based on a percentage of the level of assets under administration, funds under management and levels of ongoing fee income at future dates.

4(c): Assets held for sale

Assets classified as held for sale in 2022 related to a leasehold interest in an office property which was vacant and was subsequently sold in April 2023.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2023

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 ("APMs") 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 statement of comprehensive income, but is instead intended to provide additional comparability and understanding of the financial results.

	Notes	£m **Year ended 31 December 2023**	Year ended 31 December 2022
Affluent		**124**	105
High Net Worth		**41**	45
Head Office		**2**	(16)
Adjusted profit before tax	6(b)	**167**	134
Adjusting items:			
Impact of acquisition and disposal-related accounting	5(b)(i)	**(39)**	(42)
Business transformation costs	5(b)(ii)	**(28)**	(30)
Finance costs	5(b)(iii)	**(19)**	(10)
Customer remediation	5(b)(iv)	**(6)**	12
Voluntary customer repayments	5(b)(v)	**-**	(6)
Exchange rate movement (ZAR/GBP)	5(b)(vi)	**(2)**	4
Policyholder tax adjustments	5(b)(vii)	**(62)**	138
Other adjusting items	5(b)(viii)	**1**	(1)
Total adjusting items before tax		**(155)**	65
Profit before tax attributable to shareholder returns		**12**	199
Tax attributable to policyholder returns	7	**76**	(134)
Income tax (expense)/credit	7	**(46)**	110
IFRS profit after tax		**42**	175

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

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.

	£m **Year ended 31 December 2023**	Year ended 31 December 2022
Amortisation of acquired intangible assets	**38**	42
Impairment of acquired intangible assets[1]	**1**	-
Total impact of acquisition and disposal-related accounting	**39**	42

[1]The impairment of acquired intangible assets results from the impairment of specific client books held within the Affluent operating segment as the Group can no longer support the carrying value.

5: Alternative performance measures *continued*

5(b): Adjusting items *continued*

5(b)(ii): Business transformation costs

In 2023, business transformation costs totalled £28 million (2022: £30 million), the principal components of which are described below:

Business Simplification costs – 2023: £25 million, 2022: £17 million

The Business Simplification programme announced in November 2021, set the target of £45 million of annualised run-rate cost savings by the end of 2024. This target was achieved one year early. As announced at the half-year results in 2023, the Group expects to achieve a further £50 million of annualised run-rate savings by the end of 2025. Approximately £8 million of these additional savings have been achieved during 2023 on a run-rate basis.

As at 31 December 2023, the Simplification programme delivered £53 million of annualised run-rate savings. An incremental £30 million of annualised run-rate savings were achieved during 2023 largely through the continued rationalisation of the Group's technology and property estates together with a reduction in support costs as we simplify the Group's structures and organisation to support the two business segments, Affluent and High Net Worth. During 2023, the Group spent £25 million (2022: £17 million) on Simplification initiatives. Further implementation costs to deliver the remaining annualised run-rate savings are estimated to be £78 million.

Investment in business costs – 2023: £1 million, 2022: £4 million

Investment in business costs of £1 million were incurred in 2023 as the Group continues to enable and support advisers and clients and improve productivity through better utilisation of technology.

Business separation costs following the sale of Quilter International – 2023: £2 million, 2022: £nil

The Group sold Quilter International to Utmost Group in 2021 and entered into a Transitional Service Agreement with the acquirer. The cost to the Group of running the Transitional Service Agreement was £2 million in 2023.

Optimisation programme costs – 2023: £nil, 2022: £6 million

The Optimisation programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend. The programme has now achieved its target of delivering annualised run-rate cost savings of £65 million with total implementation costs since inception of £87 million. This programme concluded in 2022 and no costs were incurred in 2023.

Restructuring costs following the sale of Quilter Life Assurance – 2023: £nil, 2022: £3 million

The Transitional Service Agreement following the sale of Quilter Life Assurance in 2019 has now concluded. No restructuring costs relating to this sale were incurred in 2023.

5(b)(iii): 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 2023, finance costs were £19 million (2022: £10 million).

5(b)(iv): Customer remediation

Lighthouse pension transfer advice provision – 2023: £6 million cost, 2022: £12 million net income

The provision for the redress of British Steel Pension Scheme cases and other defined benefit ("DB") to defined contribution ("DC") pension transfer advice cases, excluding the impact of payments made, has increased by £2 million in the year, which has been recognised as an increase in expenses (2022: £4 million credit). This increase reflects the impact of the review for suitability of additional cases by an independent expert as part of the Group-led past business review of DB to DC pension transfer advice and the anticipated number of cases where customer redress is required. During the year, £4 million of additional legal, consulting, and other costs were incurred (2022: £4 million). These items 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. In 2022, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse's DB to DC pension transfer advice cases were received, contributing £12 million to the Group's profit before tax. Further details of the provision are provided in note 16.

5(b)(v): Voluntary customer repayments

In 2023, these costs were £nil (2022: £6 million) and relate to a change in business policy during H2 2022. The voluntary repayments represent amounts to be paid to customers relating to revenue previously recognised in respect of Final Plan Closure receipts.

5(b)(vi): Exchange rate movements (ZAR/GBP)

In 2023, an expense of £2 million was incurred (2022: £4 million income) due to foreign exchange movements on cash held in South African Rand in preparation for payments to shareholders. In 2022, these payments related to the capital return and Final Dividend paid in May 2022. In 2023, these payments related to the dividends paid in May and September 2023. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payments to provide an economic hedge for the Group. The foreign exchange movements are fully offset by an equal amount taken directly to retained earnings.

5(b)(vii): Policyholder tax adjustments

In 2023, the total amount of policyholder tax adjustments to adjusted profit is £62 million credit (2022: £138 million charge). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax adjustments 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 or loss before tax. Note 7 provides further information on the impact of markets on the policyholder tax adjustment. Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

5: Alternative performance measures continued

5(b): Adjusting items *continued*

5(b)(viii): Other adjusting items

In 2023, income of £1 million was received (2022: £1 million cost) in relation to the settlement offer received for the indemnification asset that was impaired in 2022.

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

This reconciliation shows how each line of the Group's IFRS income and expenses are allocated to the Group's APMs: Net management fees, Other revenue, Investment revenue, Total net revenue and Operating expenses, which are all defined on page 19 and form the Group's adjusted profit before tax. The total column in the table below, down to "Profit before tax attributable to shareholder returns", reconciles to each line of the consolidated statement of comprehensive income. 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.

Year ended 31 December 2023	Net mgmt. fees[1]	Other revenue[1]	Investment revenue[1]	Total net revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2]	Total £m
Income								
Fee income and other income from service activities	527	86	-	613	-	613	(71)	542
Investment return[3]	48	3,285	68	3,401	-	3,401	674	4,075
Other income	-	-	-	-	9	9	-	9
Total income	575	3,371	68	4,014	9	4,023	603	4,626
Expenses								
Change in investment contract liabilities[3]	(25)	(3,282)	(6)	(3,313)	-	(3,313)	-	(3,313)
Fee and commission expenses, and other acquisition costs	(46)	-	-	(46)	-	(46)	(3)	(49)
Change in third-party interests in consolidated funds	-	-	-	-	-	-	(579)	(579)
Other operating and administrative expenses	(13)	(5)	-	(18)	(536)	(554)	(21)	(575)
Finance costs	-	-	-	-	(22)	(22)	-	(22)
Total expenses	(84)	(3,287)	(6)	(3,377)	(558)	(3,935)	(603)	(4,538)
Tax expense attributable to policyholder returns	(76)	-	-	(76)	-	(76)	-	(76)
Profit before tax attributable to shareholder returns	415	84	62	561	(549)	12	-	12
Adjusting items:								
Impact of acquisition and disposal-related accounting	-	-	-	-	39	39		
Business transformation costs	-	-	-	-	28	28		
Finance costs	-	-	-	-	19	19		
Customer remediation	-	-	-	-	6	6		
Exchange rate movements (ZAR/GBP)	-	2	-	2	-	2		
Policyholder tax adjustments	62	-	-	62	-	62		
Other adjusting items	-	-	-	-	(1)	(1)		
Adjusting items	62	2	-	64	91	155		
Adjusted profit before tax	477	86	62	625	(458)	167		

[1]The APMs "Net management fees", "Other revenue", "Investment revenue", "Total net revenue" and "Operating expenses" are commented on within the Financial review. In the financial statements for 2022, interest income on shareholder cash and cash equivalents and interest income on customer cash and cash equivalents was previously presented within "Other revenue". For 2023, in order to provide additional information to the users of the Group's financial reporting, interest income on shareholder cash and cash equivalents has been presented separately as Investment revenue and interest income on customer cash and cash equivalents has been presented within Net management fees. Disclosures for the prior year have been re-presented to ensure comparability.
[2]Consolidation of funds shows the grossing up impact to the Group's profit or loss as a result of the consolidation of funds requirements. This grossing up is excluded from the Group's adjusted profit.
[3]Reported within net management fees, investment return of £48 million represents £30 million interest income on investments held for the benefit of policyholders and £18 million net interest income on client money balances. Change in investment contract liabilities of £25 million represents the amount of interest income paid to policyholders. The net balance of £23 million of interest income on customer balances was retained by the Group for 2023. The £68 million investment return less £6 million change in investment contract liabilities paid to customers on transactional cash balances, as reported within investment revenue, represents £62 million of net interest income on shareholder cash and cash equivalents.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2023

5: Alternative Performance Measures *continued*

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

£m

Year ended 31 December 2022	Net mgmt. fees[1]	Other revenue[1]	Investment revenue[1]	Total net revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2]	Total
Income								
Fee income and other income from service activities	548	95	-	643	-	643	(62)	581
Investment return[3]	12	(4,320)	16	(4,292)	-	(4,292)	(357)	(4,649)
Other income	-	5	-	5	21	26	2	28
Total income	560	(4,220)	16	(3,644)	21	(3,623)	(417)	(4,040)
Expenses								
Change in investment contract liabilities[3]	(5)	4,323	-	4,318	-	4,318	-	4,318
Fee and commission expenses, and other acquisition costs	(46)	1	-	(45)	-	(45)	(9)	(54)
Change in third-party interests in consolidated funds	-	-	-	-	-	-	438	438
Other operating and administrative expenses	(15)	-	-	(15)	(557)	(572)	(12)	(584)
Finance costs	-	-	-	-	(13)	(13)	-	(13)
Total expenses	(66)	4,324	-	4,258	(570)	3,688	417	4,105
Tax credit attributable to policyholder returns	134	-	-	134	-	134	-	134
Profit before tax attributable to shareholder returns	628	104	16	748	(549)	199	-	199
Adjusting items:								
Impact of acquisition and disposal-related accounting	-	-	-	-	42	42		
Business transformation costs	-	-	-	-	30	30		
Finance costs	-	-	-	-	10	10		
Customer remediation	-	-	-	-	(12)	(12)		
Voluntary customer repayments	-	-	-	-	6	6		
Exchange rate movements (ZAR/GBP)	-	(4)	-	(4)	-	(4)		
Policyholder tax adjustments	(138)	-	-	(138)	-	(138)		
Other adjusting items	-	-	-	-	1	1		
Adjusting items	(138)	(4)	-	(142)	77	(65)		
Adjusted profit before tax	490	100	16	606	(472)	134		

[1]The APMs "Net management fees", "Other revenue", "Investment revenue", "Total net revenue" and "Operating expenses" are commented on within the Financial review. In the 2022 financial statements, interest income on shareholder cash and cash equivalents and interest income on customer cash and cash equivalents was previously presented within "Other revenue". For 2023, to provide additional information to the users of the Group's financial reporting, interest income on shareholder cash and cash equivalents has been presented separately as Investment revenue and interest income on customer cash and cash equivalents has been presented within Net management fees. Disclosures for the prior year have been re-presented to ensure comparability.

[2]Consolidation of funds shows the grossing up impact to the Group's profit or loss as a result of the consolidation of funds requirements. This grossing up is excluded from the Group's adjusted profit.

[3]Reported within net management fees, investment return of £12 million represents £5 million interest income on investments held for the benefit of policyholders and £7 million net interest income on client money balances. Change in investment contract liabilities of £5 million represents the amount of interest income paid to policyholders. The net balance of £7 million of interest income on customer balances was retained by the Group for 2022. The £16 million investment return, as reported within investment revenue, relates to interest income on shareholder cash and cash equivalents.

6: Segment information

6(a): Segment presentation

The Group's operating segments comprise High Net Worth and Affluent, which is consistent with the manner in which the Group is structured and managed. For 2022 and 2023, these segments have been classified as continuing operations. Head Office includes certain revenues and central costs that are not allocated to the segments.

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 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.

The segment 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(b).

High Net Worth

This segment comprises Quilter Cheviot and Quilter Cheviot Financial Planning.

Quilter Cheviot provides discretionary investment management predominantly in the United Kingdom with bespoke investment portfolios tailored to the individual needs of high net worth clients, 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 Ireland.

Quilter Cheviot Financial Planning provides financial advice for protection, mortgages, savings, investments and pensions predominantly to high net worth clients.

6: Segment information *continued*

6(a): Segment presentation *continued*

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 client 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 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.

6(b): Adjusted profit statement - segment information for the year ended 31 December 2023

The table below presents the Group's operations split by operating segment, reconciling IFRS profit (or loss) to adjusted profit before tax. The Total column reconciles to the consolidated statement of comprehensive income.

						£m
		Operating segments				
	Notes	Affluent	High Net Worth	Head Office	Consolidation adjustments[1]	Total
Income						
Premium-based fees		66	20	-	-	86
Fund-based fees		336	172	-	(71)	437
Fixed fees		1	-	-	-	1
Other fee and commission income		18	-	-	-	18
Fee income and other income from service activities		421	192	-	(71)	542
Investment return[2]		3,361	19	28	667	4,075
Other income		88	1	-	(80)	9
Segment income		3,870	212	28	516	4,626
Expenses						
Change in investment contract liabilities[2]		(3,313)	-	-	-	(3,313)
Fee and commission expenses, and other acquisition costs		(47)	-	-	(2)	(49)
Change in third-party interests in consolidated funds		-	-	-	(579)	(579)
Other operating and administrative expenses		(387)	(205)	(41)	58	(575)
Finance costs		(3)	-	(26)	7	(22)
Segment expenses		(3,750)	(205)	(67)	(516)	(4,538)
Profit/(loss) before tax		120	7	(39)	-	88
Tax expense attributable to policyholder returns		(76)	-	-	-	(76)
Profit/(loss) before tax attributable to shareholder returns		44	7	(39)	-	12
Adjusting items:						
Impact of acquisition and disposal-related accounting	5(b)(i)	7	32	-	-	39
Business transformation costs	5(b)(ii)	5	3	20	-	28
Finance costs	5(b)(iii)	-	-	19	-	19
Customer remediation	5(b)(iv)	6	-	-	-	6
Exchange rate movements (ZAR/GBP)	5(b)(vi)	-	-	2	-	2
Policyholder tax adjustments	5(b)(vii)	62	-	-	-	62
Other adjusting items	5(b)(viii)	-	(1)	-	-	(1)
Adjusting items before tax		80	34	41	-	155
Adjusted profit before tax		124	41	2	-	167

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]Investment return and change in investment contract liabilities includes net £23 million of interest income on customer cash and cash equivalents retained by the Group. Investment return total also includes £62 million of interest income on shareholder cash and cash equivalents.

6: Segment information *continued*

6(c): Adjusted profit statement - segment information for the year ended 31 December 2022

						£m
		Operating segments				
	Notes	Affluent	High Net Worth	Head Office	Consolidation adjustments[1]	Total
Income						
Premium-based fees		75	21	-	-	96
Fund-based fees		356	181	-	(62)	475
Fixed fees		2	-	-	-	2
Other fee and commission income		8	-	-	-	8
Fee income and other income from service activities		441	202	-	(62)	581
Investment return[2]		(4,307)	9	8	(359)	(4,649)
Other income		112	3	5	(92)	28
Segment income		(3,754)	214	13	(513)	(4,040)
Expenses						
Change in investment contract liabilities[2]		4,318	-	-	-	4,318
Fee and commission expenses, and other acquisition costs		(46)	-	-	(8)	(54)
Change in third-party interests in consolidated funds		-	-	-	438	438
Other operating and administrative expenses		(410)	(202)	(53)	81	(584)
Finance costs		(3)	-	(12)	2	(13)
Segment expenses		3,859	(202)	(65)	513	4,105
Profit/(loss) before tax		105	12	(52)	-	65
Tax credit attributable to policyholder returns		134	-	-	-	134
Profit/(loss) before tax attributable to shareholder returns		239	12	(52)	-	199
Adjusting items:						
Impact of acquisition and disposal-related accounting	5(b)(i)	10	32	-	-	42
Business transformation costs	5(b)(ii)	-	-	30	-	30
Finance costs	5(b)(iii)	-	-	10	-	10
Customer remediation	5(b)(iv)	(12)	-	-	-	(12)
Voluntary customer repayments	5(b)(v)	6	-	-	-	6
Exchange rate movements (ZAR/GBP)	5(b)(vi)	-	-	(4)	-	(4)
Policyholder tax adjustments	5(b)(vii)	(138)	-	-	-	(138)
Other adjusting items	5(b)(viii)	-	1	-	-	1
Adjusting items before tax		(134)	33	36	-	(65)
Adjusted profit/(loss) before tax		105	45	(16)	-	134

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]Investment return and change in investment contract liabilities includes net £7 million interest income on customer cash and cash equivalents retained by the Group. Investment return total also includes £16 million interest income on shareholder cash and cash equivalents.

7: Tax

7(a): Tax charged/(credited)

		£m
	Year ended 31 December 2023	Year ended 31 December 2022
Current tax		
United Kingdom	**2**	12
Overseas tax	**-**	1
Total current tax charge	**2**	13
Deferred tax		
Origination and reversal of temporary differences	**52**	(120)
Effect on deferred tax of changes in tax rates	**(3)**	(1)
Adjustments to deferred tax in respect of prior years	**(5)**	(2)
Total deferred tax charge/(credit)	**44**	(123)
Total tax charged/(credited)	**46**	(110)
Attributable to policyholder returns	**76**	(134)
Attributable to shareholder returns	**(30)**	24
Total tax charged/(credited)	**46**	(110)

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 shareholder returns are shown separately in the consolidated statement of comprehensive income.

The tax attributable to policyholder returns is the amount payable in the year plus the movement of amounts expected to be payable in future periods. The remainder of the tax expense is attributed to shareholders returns.

The Group's income tax charge was £46 million in 2023, compared to an income tax credit of £110 million for 2022. The income tax charge/credit can vary significantly year-on-year as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's income) can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility in the Group's IFRS profit before tax. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 5(b)(vii).

Market movements during 2023 resulted in investment gains of £298 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £4,075 million shown in the consolidated statement of comprehensive income. The tax impact of the £298 million investment return gain is the primary reason for the £76 million tax charge attributable to policyholder returns in 2023 (2022: £134 million credit).

UK Corporation Tax rate

The main rate of Corporation Tax increased from 1 April 2023 from 19% to 25%. The blended rate of 23.5% has been used in calculating current tax for 2023 and any deferred tax assets and liabilities have been recognised at the new rate of 25%.

First time recognition of deferred tax asset on tax losses

Within the £44 million total deferred tax charge the Group has recognised a £30 million shareholder deferred tax credit in respect of previously unrecognised losses.

Pillar II taxes

On 20 June 2023, the Finance (No. 2) Act 2023 was substantively enacted in the UK, introducing the Pillar II minimum effective tax rate of 15%. The legislation implements a Multinational Top-up Tax ("MTT") and a Domestic Top-up Tax ("DTT"), effective for accounting periods starting on or after 31 December 2023. As these rules were not in effect during 2023, there was no current tax impact for the year. The Group has applied the exception under IAS 12.4A and accordingly will not recognise or disclose information about deferred tax assets and liabilities related to Pillar II income taxes.

The Group expects to exceed the qualifying multinational group revenue threshold (€750m) in accounting periods from 1 January 2024 and so expects to be within the scope of these new rules.

The Group continues to assess the full impact of the introduction of Pillar II taxes in the countries in which it operates. In assessing the likely impact, the Group has assessed the potential outcomes based on the latest tax authority guidance in each of the relevant countries and historical financial data for entities in the Group. The position in respect of these rules in each of the Group's main territories is summarised below.

UK

The UK rules are complex and there remain areas of uncertainty in HMRC guidance, especially with regards the tax treatment of the life business in Quilter Life & Pensions Limited. Management has assessed the likely UK impact based on current guidance and historical data. Although the Group may expect the UK Pillar II ETR to be close to 15% in the near term, there are scenarios where the rate may fall below the minimum rate. The Group is therefore currently unable to estimate any future DTT charge on its UK operations with any reasonable level of certainty.

The scope of the MTT means that a top-up tax charge may also arise in the UK on profits earned in countries with lower tax rates in which the Group operates, subject to a local qualifying domestic minimum tax. The Group's main non-UK operations are in Jersey and Ireland. Ireland has enacted a qualifying domestic minimum tax (see below), so no additional tax charge is expected to arise in the UK on Irish operations. Jersey is expected to introduce a qualifying domestic minimum tax in 2025. The Group's effective tax rate in Jersey is expected to be around 10% and therefore a MTT liability in the range of 0-5% of Jersey profits may arise in the UK during 2024. This is not expected to have a material impact on the Group's tax charge or credit.

7: Tax *continued*

7(a): Tax charged/(credited) *continued*

Jersey, Guernsey and the Isle of Man

The three Crown Dependencies issued a joint statement in May 2023 stating their intention to introduce a domestic minimum tax in 2025. The Group does not therefore expect to pay additional local tax in these countries during 2024. The Group will continue to monitor the developments in these countries. Until such time as a qualifying domestic minimum tax is introduced, the Group expects to pay a MTT in the UK in respect of any taxable profits arising in these countries (see above).

Ireland

Ireland has introduced a qualifying domestic minimum tax. This has been substantively enacted, effective for accounting periods starting on or after 31 December 2023. The Group's effective tax rate in Ireland is expected to be around 12.5% and therefore an additional minimum tax charge in the range of 0-2.5% is expected to apply to any taxable profits arising in Ireland in 2024. This is not expected to have a material impact on the Group's tax charge.

Other

The Group does not expect there to be any material Pillar II tax charge in any other countries in which it is expected to have a presence during 2024.

7(b): Reconciliation of total income tax expense/(credit)

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

		£m
	Year ended 31 December 2023	Year ended 31 December 2022
Profit before tax	**88**	65
Tax at UK standard rate of 23.5% (2022: 19%)	**21**	12
Untaxed and low taxed income	**(1)**	(6)
Expenses not deductible for tax purposes	**2**	1
Net movements on unrecognised deferred tax assets[1]	**(29)**	(6)
Effect on deferred tax of changes in tax rates	**(3)**	(1)
Adjustments to deferred tax in respect of prior periods	**(5)**	(2)
Income tax attributable to policyholder returns (net of tax relief)	**61**	(108)
Total tax charged/(credited) to profit or loss	**46**	(110)

[1]Includes first time recognition of tax losses as explained in note 7(a).

7(c): Reconciliation of IFRS income tax credit or expense to income tax on adjusted profit

			£m
	Note	**Year ended 31 December 2023**	Year ended 31 December 2022
Income tax expense/(credit)[1]		**46**	(110)
Tax on adjusting items			
Impact of acquisition and disposal-related accounting		**9**	8
Business transformation costs		**8**	5
Finance costs		**4**	2
Exchange rate movements (ZAR/GBP)		**1**	(1)
Tax adjusting items			
Policyholder tax adjustments	5(b)(vii)	**(62)**	138
Other shareholder tax adjustments[2]		**46**	(19)
Tax on adjusting items		**6**	133
Less: tax attributable to policyholder returns within adjusted profit[3]		**(14)**	(4)
Tax charged on total adjusted profit		**38**	19

[1]Includes both tax attributable to policyholder and shareholder returns, in compliance with IFRS.
[2]Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 5(b)(vii) and shareholder tax adjustments for one-off items in line with the Group's adjusted profit policy, including first time recognition of shareholder deferred tax.
[3]Adjusted 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.

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.

			Pence	
	Framework	Notes	**Year ended 31 December 2023**	Year ended 31 December 2022
Basic earnings per share	IFRS	8(b)	**3.1**	12.2
Diluted basic earnings per share	IFRS	8(b)	**3.1**	12.0
Adjusted basic earnings per share	Group policy	8(b)	**9.6**	8.0
Adjusted diluted earnings per share	Group policy	8(b)	**9.4**	7.9
Headline basic earnings per share (net of tax)	JSE Listing Requirements	8(c)	**3.2**	12.6
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	8(c)	**3.1**	12.4

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 profit and Headline earnings). Details of the impact on the number of shares from the Quilter plc share buyback scheme are detailed in note 14.

	Million	
	Year ended 31 December 2023	Year ended 31 December 2022
Weighted average number of Ordinary Shares	**1,404**	1,496
Own shares including those held in consolidated funds and employee benefit trusts	**(54)**	(58)
Basic weighted average number of Ordinary Shares	**1,350**	1,438
Adjustment for dilutive share awards and options[1]	**24**	26
Diluted weighted average number of Ordinary Shares	**1,374**	1,464

[1]The adjustment for dilutive share awards and options includes dividend equivalent shares. Previously these shares were not included in the figures presented in the 2022 financial statements. Comparatives have been updated and there was no impact on the earnings per share.

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

		£m	
	Notes	**Year ended 31 December 2023**	Year ended 31 December 2022
Profit after tax		**42**	175
Total adjusting items before tax	5(a)	**155**	(65)
Tax on adjusting items	7(c)	**(6)**	(133)
Less: Policyholder tax adjustments	7(c)	**(62)**	138
Adjusted profit after tax		**129**	115

		Pence	
	Post-tax profit measure used	**Year ended 31 December 2023**	Year ended 31 December 2022
Basic EPS	IFRS profit	**3.1**	12.2
Diluted EPS	IFRS profit	**3.1**	12.0
Adjusted basic EPS	Adjusted profit	**9.6**	8.0
Adjusted diluted EPS	Adjusted profit	**9.4**	7.9

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For the year ended 31 December 2023

8: Earnings per share *continued*

8(c): Headline earnings per share

				£m
		Year ended 31 December 2023		Year ended 31 December 2022
	Gross	**Net of tax**	Gross[1]	Net of tax[1]
Profit		**42**		175
Adjusted for:				
- add back of impairment loss on property, plant and equipment	**-**	**-**	7	6
- add back of impairment loss on intangible assets	**1**	**1**	-	-
Headline earnings		**43**		181
Headline basic EPS (pence)		**3.2**		12.6
Headline diluted EPS (pence)		**3.1**		12.4

[1]Figures were re-presented to address an issue with the signage of an adjusting item for 2022 and to clearly present the tax effects of each adjusting item in the prior year in line with the relevant guidance.

9: Goodwill and intangible assets

9(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 2022	306	30	425	761
31 December 2022	306	30	425	761
Disposals[1]	**-**	**(21)**	**-**	**(21)**
31 December 2023	**306**	**9**	**425**	**740**
Accumulated amortisation and impairment losses				
1 January 2022	-	(22)	(282)	(304)
Amortisation charge for the year	-	(2)	(42)	(44)
31 December 2022	-	(24)	(324)	(348)
Amortisation charge for the year	**-**	**(2)**	**(38)**	**(40)**
Disposals[1]	**-**	**21**	**-**	**21**
Impairment of other intangibles	**-**	**-**	**(1)**	**(1)**
31 December 2023	**-**	**(5)**	**(363)**	**(368)**
Carrying amount				
31 December 2022	306	6	101	413
31 December 2023	**306**	**4**	**62**	**372**

[1]Following the completion of a number of strategic projects, the Group reviewed the fixed asset register. Assets related to software development costs with a cost of £21 million and an accumulated amortisation of £21 million (net book value: £nil) that were no longer held by the Group or no longer in use have been disposed during the year.

9(b): Analysis of other intangible assets

	31 December 2023	31 December 2022	Average estimated useful life	Average Period remaining
	£m	£m		
Net carrying value				
Distribution channels - Quilter Financial Planning	**2**	4	8 years	1 year
Customer relationships				
Quilter Cheviot	**32**	59	10 years	1 year
Quilter Financial Planning	**17**	22	8 years	3 years
Quilter Cheviot Financial Planning[1]	**10**	14	8 years	3 years
Other	**1**	2	7 years	< 1 year
Total other intangible assets	**62**	101		

[1]Formerly known as Quilter Private Client Advisers.

9: Goodwill and intangible assets *continued*

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

Goodwill is monitored by management at the level of the Group's two operating segments: Affluent and High Net Worth. Both operating segments represent a group of CGUs.

	£m	
	31 December 2023	31 December 2022
Goodwill (net carrying amount)		
Affluent	**223**	223
High Net Worth	**83**	83
Total goodwill	**306**	306

Impairment review

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.

The goodwill balance has been tested for impairment at 31 December 2023 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 shows the percentage change 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	27%	61%
Percentage point increase in the discount rate	9%	25%

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 cash flow 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.

The Group has considered and assessed reasonably possible changes for other key assumptions and has not identified any other instances that could cause the carrying amount of CGUs to exceed its recoverable amount.

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 Plan. 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 groups of CGUs are based on the most recent management approved three-year profit forecasts, which are contained in the Group's Business Plan. These profit forecasts incorporate anticipated equity market growth on the Group's future cash flows and take into account climate-related risks and opportunities affecting operations, investment activities and advice and distribution activities and their impact on specific projects and initiatives, estimates and judgements. These cash flows change at different rates because of the different strategies of the groups of CGUs. Post the three-year forecast period, the growth rate used to determine the terminal value of the groups of CGUs in the annual assessment was 2.0% (2022: 2.0%). Market share and market growth information is also used to inform the expected volumes of future new business.

Cost savings linked to future restructuring activity are only included in the value-in-use calculation in cases where 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 (post tax) of 10.0% (2022: 11.4%) to discount expected future cash flows across its two groups of CGUs. The single cost of capital is based on the Group's consideration of the level of risk that each CGU represents. 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 bondholders and owners of properties leased by the Group). When assessing the systematic risk (i.e. the 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.

10: 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
	31 December 2023	31 December 2022
Government and government-guaranteed securities	**202**	225
Other debt securities, preference shares and debentures	**2,175**	1,609
Equity securities	**8,488**	6,225
Pooled investments	**39,462**	35,557
Short-term funds and securities treated as investments	**1**	1
Other	**1**	-
Total financial investments	**50,329**	43,617
Recoverable within 12 months	**50,329**	43,617
Total financial investments	**50,329**	43,617

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.

11: 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 12. The Group's exposure to various risks associated with financial instruments is discussed in note 18.

31 December 2023

					£m
Measurement basis	**Fair value**				
	Mandatorily at FVTPL	**Designated at FVTPL**	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Assets					
Loans and advances	-	-	38	-	38
Financial investments	50,329	-	-	-	50,329
Trade, other receivables and other assets	-	-	404	43	447
Derivative assets	57	-	-	-	57
Cash and cash equivalents	1,091	-	768	-	1,859
Total assets that include financial instruments	51,477	-	1,210	43	52,730
Total other non-financial assets	-	-	-	615	615
Total assets	**51,477**	**-**	**1,210**	**658**	**53,345**
Liabilities					
Investment contract liabilities	-	43,396	-	-	43,396
Third-party interests in consolidated funds	7,444	-	-	-	7,444
Borrowings and lease liabilities	-	-	279	-	279
Trade, other payables and other liabilities	1	-	484	85	570
Derivative liabilities	25	-	-	-	25
Total liabilities that include financial instruments	7,470	43,396	763	85	51,714
Total other non-financial liabilities	-	-	-	112	112
Total liabilities	**7,470**	**43,396**	**763**	**197**	**51,826**

11: Categories of financial instruments *continued*

31 December 2022

£m

Measurement basis	Fair value: Mandatorily at FVTPL	Fair value: Designated at FVTPL	Amortised cost (Restated)	Non-financial assets and liabilities (Restated)	Total
Assets					
Loans and advances	-	-	34	-	34
Financial investments	43,617	-	-	-	43,617
Trade, other receivables and other assets	-	-	261	42	303
Derivative assets	40	-	-	-	40
Cash and cash equivalents	1,112	-	670	-	1,782
Total assets that include financial instruments	44,769	-	965	42	45,776
Total other non-financial assets[1]	-	-	-	641	641
Total assets	44,769	-	965	683	46,417
Liabilities					
Investment contract liabilities	-	38,186	-	-	38,186
Third-party interests in consolidated funds	5,843	-	-	-	5,843
Borrowings and lease liabilities	-	-	290	-	290
Trade, other payables and other liabilities[2]	-	-	351	85	436
Derivative liabilities	20	-	-	-	20
Total liabilities that include financial instruments	5,863	38,186	641	85	44,775
Total other non-financial liabilities	-	-	-	94	94
Total liabilities	5,863	38,186	641	179	44,869

[1]Investments in associates shown separately in the Group's 2022 financial statements have been included in Total other non-financial assets.
[2]The disclosures for 2022 have been restated to reclassify £7 million of accruals from the amortised cost category to the non-financial assets and liabilities category. The relevant accruals which were presented in the amortised cost category in the Group's 2022 financial statements arose in connection with the Group's statutory and constructive obligations as opposed to arising in connection with the Group's contractual obligations.

12: 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 12(b)) provides an indication of the reliability of inputs used in determining fair value.

12(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 equity investments or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements, or if more recent is available, reports from investment managers or professional valuation experts on the value of the underlying assets of the private equity investment 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:

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 using 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 reference to the relevant exchange rates.

12: Fair value methodology *continued*

12(a): Determination of fair value *continued*

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.

12(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 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 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. 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.

12(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 between Level 1 and Level 2 during 2023 (2022: £nil). There were no transfers of financial investments from Level 2 to Level 1 during the year (2022: £nil).

See note 12(e) for the reconciliation of Level 3 financial instruments.

12(d): Financial assets and liabilities measured at fair value, classified according to the 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 year.

The linked assets are held to cover the liabilities for linked investment contracts. 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 tables on the following page analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 12(b). All items are recognised mandatorily at fair value through profit or loss, apart from Investment contract liabilities which are designated at fair value through profit or loss.

12: Fair value methodology *continued*

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

				£m
31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments	**41,691**	**8,605**	**33**	**50,329**
Cash and cash equivalents	**1,091**	**-**	**-**	**1,091**
Derivative assets	**-**	**57**	**-**	**57**
Total financial assets measured at fair value through profit or loss	**42,782**	**8,662**	**33**	**51,477**
Third-party interests in consolidated funds	**-**	**7,444**	**-**	**7,444**
Other liabilities	**-**	**1**	**-**	**1**
Derivative liabilities	**-**	**25**	**-**	**25**
Investment contract liabilities	**43,372**	**-**	**24**	**43,396**
Total financial liabilities measured at fair value through profit or loss	**43,372**	**7,470**	**24**	**50,866**

				£m
31 December 2022	Level 1	Level 2	Level 3	Total
Financial investments	37,340	6,248	29	43,617
Cash and cash equivalents	1,112	-	-	1,112
Derivative assets	-	40	-	40
Total financial assets measured at fair value through profit or loss	38,452	6,288	29	44,769
Third-party interests in consolidated funds	-	5,843	-	5,843
Derivative liabilities	-	20	-	20
Investment contract liabilities	38,161	-	25	38,186
Total financial liabilities measured at fair value through profit or loss	38,161	5,863	25	44,049

12(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 investments within consolidated funds. 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. Any changes in market value are matched by a corresponding Level 2 liability within third-party interests in consolidated funds.

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

		£m
	31 December 2023	31 December 2022
At beginning of the year	**29**	27
Fair value losses charged to profit or loss[1]	**(1)**	(5)
Sales	**(1)**	(2)
Transfers in	**27**	125
Transfers out	**(21)**	(116)
Total Level 3 financial assets at the end of the year	**33**	29
Unrealised fair value gains/(losses) recognised in profit or loss relating to assets held at the year end	**2**	(9)

[1]Included in Investment return.

All of the assets that are classified as Level 3 are suspended funds for 2022 and 2023.

Transfers into Level 3 assets in the current year total £27 million (2022: £125 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 year of £21 million (2022: £116 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.

12: Fair value methodology *continued*

12(e): Level 3 fair value hierarchy disclosure *continued*

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

	£m	
	31 December 2023	31 December 2022
At beginning of the year	**25**	24
Fair value losses charged to profit or loss[1]	**-**	(2)
Transfers in	**20**	119
Transfers out	**(21)**	(116)
Total Level 3 financial liabilities at the end of the year	**24**	25
Unrealised fair value losses recognised in profit or loss relating to liabilities at the year end	**-**	(5)

[1]Included in Investment return.

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

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 12(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

For Level 3 assets and liabilities, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% (2022: 10%), which is a reasonably possible change in the value of the financial asset or liability. It is therefore considered that the impact of this sensitivity will be in the range of £3 million (2022: £3 million) to the reported fair value of Level 3 assets, both favourable and unfavourable.

12(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.

13: Cash and cash equivalents

13(a): Analysis of cash and cash equivalents

	£m	
	31 December 2023	31 December 2022
Cash at bank	**444**	406
Money market funds	**1,091**	1,112
Cash and cash equivalents in consolidated funds	**324**	264
Total cash and cash equivalents per statement of cash flows	**1,859**	1,782

The Group's management does not consider that the cash and cash equivalents balance arising due to consolidation of funds of £324 million (2022: £264 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 £1,535 million (2022: £1,518 million) is considered to be available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows. This balance includes policyholder cash as well as cash and cash equivalents held by regulated subsidiaries to meet their capital and liquidity requirements.

13: Cash and cash equivalents *continued*

13(b): Analysis of net cash flows from operating activities:

	Notes	£m Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Profit before tax		**88**	65
Adjustments for			
Depreciation and impairment of property, plant and equipment		**12**	22
Movement on contract costs		**(6)**	(1)
Amortisation and impairment of intangibles		**41**	44
Fair value and other movements in financial assets		**(3,200)**	4,410
Fair value movements in investment contract liabilities	15	**2,528**	(4,878)
Other changes in investment contract liabilities		**2,682**	1,993
Other movements		**47**	32
		2,104	1,622
Net changes in working capital			
Increase in derivatives position		**(12)**	(21)
Increase in loans and advances		**(4)**	(5)
Decrease in provisions	16	**(23)**	(24)
Movement in other assets/liabilities		**(16)**	61
		(55)	11
Taxation paid		**(26)**	(22)
Net cash flows from operating activities		**2,111**	1,676

14: Ordinary Share capital

At 31 December 2023, 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 (2022: 1,404,105,498 Ordinary Shares of 8 1/6 pence each with an aggregated nominal value of £114,668,616). All Ordinary Shares have been called up and fully paid.

This note gives details of the movements in Ordinary Share capital during the year 2023 and 2022.

	Number of Ordinary Shares	£m Nominal value of Ordinary Shares	£m Ordinary Share premium
At 1 January 2022	1,655,827,217	116	58
Shares cancelled through share buyback programme	(17,704,132)	(1)	-
Share Consolidation (including shares cancelled)	(234,017,587)	-	-
At 31 December 2022	1,404,105,498	115	58
At 31 December 2023	**1,404,105,498**	**115**	**58**

In 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.

In 2022, 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 number of shares by 234,017,587.

All Ordinary 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.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2023

15: Investment contract liabilities

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

	£m	
	2023	2022
Carrying amount at 1 January	**38,186**	41,071
Fair value movements	2,528	(4,878)
Investment income	785	560
Movements arising from investment return	3,313	(4,318)
Contributions received	5,358	4,408
Withdrawals and surrenders	(3,212)	(2,759)
Claims and benefits	(245)	(219)
Other movements	(4)	3
Change in liability	**5,210**	(2,885)
Investment contract liabilities at end of the year	**43,396**	38,186

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.

16: Provisions

					£m
Year ended 31 December 2023	**Compensation provisions**	**Sale of subsidiaries provision**	**Property provisions**	**Clawback and other provisions**	**Total**
Balance at beginning of the year	**23**	**15**	**12**	**19**	**69**
Charge to profit or loss	**17**	**-**	**-**	**6**	**23**
Used during the year	**(14)**	**(12)**	**(2)**	**(8)**	**(36)**
Unused amounts reversed	**(9)**	**-**	**-**	**(1)**	**(10)**
Balance at 31 December 2023	**17**	**3**	**10**	**16**	**46**

					£m
31 December 2022	Compensation provisions	Sale of subsidiaries provision	Property provisions	Clawback and other provisions	Total
Balance at beginning of the year	41	22	9	21	93
Charge to profit or loss	22	-	4	3	29
Used during the year	(28)	(7)	(1)	(2)	(38)
Unused amounts reversed	(12)	-	-	(4)	(16)
Reclassification within the statement of financial position[1]	-	-	-	1	1
Balance at 31 December 2022	23	15	12	19	69

[1]Clawback and other provisions included the balancing premium payable for the bulk annuity purchased for the Quilter Cheviot Limited Retirement Benefits scheme which was reclassified during the year to 31 December 2022 from accruals reflecting the uncertainty of the amounts to be settled.

Compensation provisions

Compensation provisions total £17 million (2022: £23 million). The net reduction of £6 million during the year consists of additional charges to profit or loss of £17 million, compensation payments made during the year of £14 million and £9 million release of unused amounts during 2023 following further review work completed during the year. Compensation provisions are comprised of the following:

Lighthouse pension transfer advice provision of £6 million (2022: £5 million)

Lighthouse pension transfer advice provided to British Steel Pension Scheme members of £nil (2022: £4 million)

A total provision of £nil (2022: £4 million) remains for the redress of British Steel Pension Scheme cases. This is comprised of two parts:

(a) Customer redress provision of £nil (2022: £3 million). During the year, payments of £1 million have been made to customers. The redress provision has been recalculated for the final suitability assessments and redress calculations performed by the independent expert, and the remaining provision of £2 million released to profit or loss.

(b) Anticipated costs associated with redress activity of £nil (2022: £1 million). This provision was recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which included the expected costs to review advice. Legal and professional fees of £3 million have been paid during the year.

16: Provisions *continued*

During the year to 31 December 2022, the skilled person completed their review of all British Steel Pension Scheme cases within the scope of the skilled person's review, reflecting the outcome of the review of the suitability of the DB to DC pension transfer advice for each case, and all remaining offers were made to customers who received unsuitable DB to DC pension transfer advice which caused them to sustain a loss.

Certain customers who were included in the skilled person review have referred their case to the Financial Ombudsman Service, relating to cases where: (i) relevant DB to DC pension transfer advice was found to be suitable by the skilled person; or (ii) where relevant DB to DC pension transfer advice was found to be unsuitable by the skilled person, but the customer disagreed with the way in which their redress offer has been calculated by the skilled person. The Financial Ombudsman Service has upheld some challenges and the redress payments in relation to such cases are included within the amounts stated above in this note. It is possible further challenges may be upheld.

In November 2022, the FCA published a policy statement containing the final rules for a redress scheme for former members of the British Steel Pension Scheme who received unsuitable advice (the "BSPS Redress Scheme"). The BSPS Redress Scheme covers those persons who received advice between 26 May 2016 and 29 March 2018 to transfer out of the British Steel Pension Scheme. The rules for the BSPS Redress Scheme set out how advisers must determine whether they gave unsuitable advice and whether they must pay redress. The Group may therefore face further costs of redress as a result of the BSPS Redress Scheme. The BSPS Redress Scheme does not cover individuals that have accepted redress for the advice provided, referred the matter to the Financial Ombudsman Service or received a final outcome following a suitability assessment of their case conducted through a skilled person review. Therefore, based on the rules of the BSPS Redress Scheme, this process does not include Lighthouse cases that have already been reviewed by the skilled person where the customer received a final outcome.

Based on the rules for the BSPS Redress Scheme, there were approximately 30 Lighthouse cases relating to British Steel Pension Scheme members that fall within the scope of the BSPS Redress Scheme. These customers were written to during 2023, and where applicable sent a redress determination letter, in line with the timeline prescribed within the BSPS Redress Scheme. The redress payments in relation to such cases are included within the amounts stated above in this note. At 31 December 2023, the review of cases is complete, and there are no further redress amounts to be paid under the BSPS Redress Scheme.

Lighthouse pension transfer advice provided to members of other schemes of £6 million (2022: £1 million)

The skilled person review of Lighthouse DB to DC pension transfer advice cases identified unsuitable DB to DC pension transfer advice provided by Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The initial scope of the review concluded in 2022, with £3 million paid to customers and the remaining provision released to profit or loss. The skilled person review concluded in December 2022.

The skilled person recommended a review of a further sample of Lighthouse DB to DC pension transfer advice cases not relating to the British Steel Pension Scheme. In December 2022, the FCA confirmed to the Group that it agreed with the skilled person's recommendation. The FCA also confirmed that, given the cooperation of the Group in relation to the skilled person review and established past business review methodology and consistent with the recommendation made by the skilled person, this further sample should be reviewed under a Group-managed past business review process. The FCA also agreed with the skilled person that the further sample should be selected on a risk-based approach and set out to the Group the key risk factors to be used in determining the sample. The review of this sample has identified some additional cases where customer redress is required. Until the review of the relevant sample has been completed, uncertainty exists as to the number of cases where this will be required and the value of total redress which may be payable. A provision for redress relating to the review of this further sample of cases of £1 million was established at 31 December 2022 and has been increased by £4 million at 31 December 2023, based upon the suitability review of cases to date, and the anticipated number of cases required to be reviewed. Payments of £1 million have been made to customers during 2023. Additionally, anticipated costs associated with the redress activity of £2 million (2022: £nil) have been included within the provision at 31 December 2023. Any further redress payable is expected to be paid during 2024.

The Group estimates a reasonably possible change of +/- £3 million from the £6 million balance, based upon an increase or decrease of five percentage points in redress as a percentage of transfer value.

Compensation provisions (other) of £11 million (2022: £18 million)

Other compensation provisions of £11 million 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 the timing of outflows is that the majority of the balance is expected to be settled within 12 months.

A provision of £3 million, included within the balance, has been recognised at 31 December 2023 (2022: £7 million) relating to potentially unsuitable DB to DC pension transfer advice provided by adviser businesses other than Lighthouse. Of this balance, £nil (2022: £2 million) has been recognised for potentially unsuitable DB to DC pension transfer advice provided to British Steel Pension Scheme members by Quilter Financial Planning firms other than Lighthouse. This provision was recognised following the receipt of a "Dear CEO" letter from the FCA in 2021, and subsequent establishment of the BSPS Redress Scheme in 2022. During 2023, all relevant British Steel Pension Scheme cases have been reviewed for suitability by an independent expert, and redress calculations performed where applicable. There were no redress payments made related to the BSPS Redress Scheme and the provision balance of £2 million at 31 December 2022 was released to profit or loss during the year. The estimate of the provision unrelated to the BSPS Redress Scheme has been updated for the current status of the past business reviews and redress estimated based upon the Group's experience of the Lighthouse skilled person and past business reviews. Customer redress is expected to be calculated and paid to relevant customers during 2024.

A provision of £4 million, included within the balance at 31 December 2022, related to Final Plan Closure ("FPC") receipts previously recognised as revenue since 2013 for distributions the Group received from investments for customers who had previously closed their accounts. FPC receipts represent distributions, including tax gross ups where relevant, and rebates received after a customer has left the Quilter platform, which the terms and conditions of the pension and insured bonds legally entitled the Group to retain. A review in 2022 led to a change in business policy, and Quilter made the decision to voluntarily return these amounts to those impacted customers backdated to inception, with an appropriate rate of interest applied to each balance. A provision of £6 million was initially recognised in 2022, and payments of £2 million were made to customers during 2022. The remaining provision outstanding at 31 December 2022 of £4 million has been paid to customers during the current year.

The Group estimates a reasonably possible change of +/- £3 million from the £11 million balance, based upon a review of the cases and the range of potential outcomes for the customer redress payments.

16: Provisions *continued*

Sale of subsidiaries provision

Sale of subsidiaries provisions total £3 million at 31 December 2023 (2022: £15 million), and include the following:

Provisions arising on the sale of Quilter International of £2 million (2022: £11 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.

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, 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 estimates, together with estimates of the incremental time and resource costs required to achieve the separation, which was expected to occur over a two-to-three-year period from the date of the sale.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Calculation of the provision was 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.

During the year, £9 million (2022: £6 million) of the provision has been used. The Group estimates a provision sensitivity of +/-25% (£1 million), based upon a review of the range of time periods expected to complete the work required. The remaining balance of £2 million related to decommissioning works is forecast to be paid within one year.

Sale of Single Strategy business provision of £nil (2022: £4 million)

The provision in the prior year related to sale-related future commitments made to the buyer (now known as Jupiter Investment Management ("Jupiter")) of the Single Strategy business, which was initially recognised in 2018, in relation to the level of revenues for Jupiter in future years arising from funds invested by customers of Quilter.

In the year to 31 December 2023, £4 million was agreed and settled relating to the 2022 measurement year, which is the final measurement year according to the sale agreement. This was the final amount payable under this arrangement with Jupiter.

Property provisions

Property provisions total £10 million (2022: £12 million). 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 fully used by the Group. The estimate is based upon property location, size of property and an estimate of the charge per square foot. Property provisions are used or released when the reinstatement obligations have been fulfilled. The associated asset for the property provisions relating to the cost of reinstating property is included within Property, plant and equipment.

Of the £10 million provision outstanding, £3 million (2022: £3 million) is estimated to be payable within one year. The majority of the balance relates to leased properties which have a lease term maturity of more than five years.

Clawback and other provisions

Clawback and other provisions total £16 million (2022: £19 million) and 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 are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments, 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 31 December 2023 is £12 million (2022: £14 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 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 31 December 2023, an associated balance of £8 million recoverable from brokers is included within Trade, other receivables and other assets (2022: £8 million).

The Group estimates a reasonably possible change of +/- £3 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 £16 million provision outstanding, £7 million is estimated to be payable within one year (2022: £8 million).

17: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal, regulatory 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 16). 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.

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 – DB to DC pension transfer advice redress

As set out in note 16, the Lighthouse skilled person review concluded in December 2022. A further sample of Lighthouse DB to DC pension transfer advice cases not relating to the British Steel Pension Scheme is being reviewed under a Group-managed past business review process. Until the review has finalised, uncertainty exists as to the number of cases where further review will be required and the value of total redress that will be payable.

Customers have the legal right to challenge the outcome of the skilled person review and the BSPS Redress Scheme in respect of their case via a complaint to the Financial Ombudsman Service. The skilled person was independent from the Group and ran a robust process, which was overseen by the FCA. The Financial Ombudsman Service may uphold further challenges, which may lead to further redress payable by the Group.

17: Contingent liabilities *continued*

At the conclusion of its enforcement investigation, the FCA issued a Final Notice to Lighthouse in May 2023. The FCA found that Lighthouse had provided unsuitable DB to DC pension transfer advice but imposed no financial penalty. The FCA acknowledged in its decision that Lighthouse provided very high levels of co-operation in relation to the FCA's investigation and that the Group, on its own initiative, promptly paid redress to customers who received unsuitable DB to DC pension transfer advice from Lighthouse and sustained losses as a result of that advice.

It is possible that further material costs of redress may be incurred in relation to past business reviews. Further customer redress costs may also be incurred for other potential unsuitable DB to DC pension transfer advice provided across the Group.

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

Tax

The Group is committed to conducting its tax affairs in accordance with the tax legislation of the countries in which it operates and this includes compliance with legislation related to levies, sales taxes and payroll deductions.

The tax authorities in the countries in which the Group operates routinely review historical transactions undertaken and tax law interpretations made by the Group. 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 consolidated 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 Group is satisfied that adequate provisions have been made to allow 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 remains focussed on delivering good outcomes for customers to support them in meeting their lifetime goals. During the normal course of business, from time to time, the Group receives 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 other parties, and is subject to discussions and reviews with regulators. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established.

Subsequent to the year-end date, on 15 February 2024, the FCA wrote to around 20 advice firms, including Quilter, requesting information regarding ongoing servicing to assess what, if any, further regulatory work the FCA may undertake in this area. The Group is commencing a review of historical data and practices across the Group's network to determine what, if any, further action may be required. This may lead to remedial costs but it is too early to quantify. Until the Group has further clarity of its position on this matter, there remains uncertainty as to the potential financial and non-financial implications that may arise.

Where the Group's regular adviser oversight controls have determined that a customer may not have received the servicing that they have paid for, or where the Group has received complaints from customers regarding ongoing servicing, this has been investigated, and, where appropriate, remediation has been undertaken and recognised as a normal business as usual expense.

18: Capital and financial risk management

18(a): Capital management

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital management objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's Business Plans, forecasts, strategic initiatives and the regulatory requirements applicable to Group entities.

The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

- maintain sufficient, but not excessive, financial strength to support stakeholder requirements;
- optimise debt to equity structure to enhance shareholder returns; and
- retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

The primary sources of capital used by the Group are equity shareholders' funds of £1,519 million (2022: £1,548 million) and subordinated debt which was issued at £200 million in January 2023. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long-term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

The regulatory capital for the Group is assessed under Solvency II requirements.

18(a)(i): Regulatory capital (unaudited)

The Group is subject to Solvency II group supervision by the Prudential Regulation Authority. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

The Group's UK life insurance undertaking is included in the Group solvency calculation on a Solvency II basis. Other regulated entities are included in the Group solvency calculation according to the relevant sectoral rules. The Group's Solvency II surplus is the amount by which the Group's capital on a Solvency II basis (own funds) exceeds the Solvency II capital requirement (solvency capital requirement or "SCR").

The Group's Solvency II surplus is £972 million at 31 December 2023 (2022: £820 million), representing a Solvency II ratio of 271% (2022: 230%) calculated under the standard formula. The Solvency II regulatory position at 31 December 2023 allows for the impact of the recommended Final Dividend payment of £50 million (2022: £45 million).

18: Capital and financial risk management *continued*

18(a)(i): Regulatory capital (unaudited) *continued*

The Solvency II position as at 31 December 2023 (unaudited estimate) and 31 December 2022 is presented below:

		£m
	31 December 2023[1]	31 December 2022[2]
Own funds	**1,540**	1,451
Solvency capital requirement	**568**	631
Solvency II surplus	**972**	820
Solvency II coverage ratio	**271%**	230%

[1]Filing of annual regulatory reporting forms due by 17 May 2024.
[2]As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2022.

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.

		£m
Group own funds	**31 December 2023**	31 December 2022
Tier 1[1]	**1,336**	1,249
Tier 2[2]	**204**	202
Total Group Solvency II own funds	**1,540**	1,451

[1]All Tier 1 capital is unrestricted for tiering purposes.
[2]Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in January 2023.

The Group's UK life insurance undertaking is also subject to Solvency II at entity level. Other regulated entities in the Group are subject to the locally applicable entity-level capital requirements in the countries in which they operate. In addition, the Group's asset management and advice businesses are subject to group supervision by the FCA under the UK Investment Firms Prudential Regime ("IFPR").

During 2023, the capital requirements for the Group and its regulated subsidiaries were reported and monitored through regular Capital Management Forum meetings. Throughout 2023, the Group has complied with the regulatory requirements that apply at a consolidated level and Quilter's insurance undertakings and investment firms have complied with the regulatory capital requirements that apply at entity level.

18(a)(ii): Loan covenants

Under the terms of the revolving credit facility agreement, the Group is required to comply with the following financial covenant: the ratio of total net borrowings to consolidated equity shareholders' funds shall not exceed 0.5.

		£m
	31 December 2023	31 December 2022
Total external borrowings of the Company	**198**	200
Less: cash and cash equivalents of the Company	**(110)**	(126)
Total net external borrowings of the Company	**88**	74
Total shareholders' equity of the Group	**1,519**	1,548
Tier 2 bond	**198**	200
Total Group equity (including Tier 2 bond)	**1,717**	1,748
Ratio of Company net external borrowings to Group equity	**0.051**	0.042

The Group has complied with the covenant since the facility was created in 2018.

18(a)(iii): Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy and Risk Assessment ("ICARA")

The Group ORSA process is an ongoing cycle of risk and capital management processes which provides an overall assessment of the current and future risk profile of the Group and demonstrates the relationship between business strategy, risk appetite, risk profile and solvency needs. These assessments support strategic planning and risk-based decision making.

The underlying ORSA processes cover the Group and consider how risks and solvency needs may evolve over the planning period. The ORSA includes stress and scenario tests, which are performed to assess the financial and operational resilience of the Group.

The Group ORSA report is produced annually. This summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the Group. The ORSA report is submitted to the PRA as part of the normal supervisory process and may be supplemented by ad hoc assessments where there is a material change in the risk profile of the Group outside the usual reporting cycle.

In addition to the Group ORSA process, an entity-level ORSA process is performed for Quilter Life & Pensions Limited.

The Group ICARA process is an ongoing cycle of risk and capital management processes, similar to the ORSA process. The Group ICARA process is performed for the prudential consolidation of Quilter's investment and advice firms under IFPR requirements. The ICARA process is also performed at an entity level for Quilter's UK investment firms, which are Quilter Investment Platform Limited, Quilter Investors Limited and Quilter Cheviot Limited.

The Group ICARA report is produced annually. This summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of Quilter's IFPR prudential consolidation group.

The conclusions of the ORSA and ICARA processes are reviewed by management and the Board throughout the year.

18: Capital and financial risk management *continued*

18(b): Credit risk

Overall exposure to credit risk

Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, counterparty concentration risk and spread risk.

The Group has established a Credit Risk Framework that includes a Credit Risk Policy and Credit Risk Appetite Statement. This framework applies to all activities where the Group is exposed to credit risk, either directly or indirectly, ensuring appropriate identification, measurement, management, monitoring and reporting of the Group's credit risk exposures.

The credit risk arising from all exposures is mitigated by ensuring that the Group only enters into relationships with appropriately robust counterparties, adhering to the Group Credit Risk Policy. For each asset, consideration is given as to:

- the credit rating of the counterparty, which is used to derive the probability of default;
- the loss given default;
- the potential recovery which may be made in the event of default;
- the extent of any collateral that the Group has in respect of the exposures; and
- any second order risks that may arise where the Group has collateral against the credit risk exposure.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, that there is appropriate diversification of counterparties and that exposures are within approved limits. At the end of 2023, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to non-UK sovereign debt within the shareholder investments. The Group has no significant concentrations of credit risk exposure.

Other credit risks

The Group is exposed to financial adviser counterparty risk through a number of loans that it makes to its advisers and the payment of upfront commission on the sale of certain types of business. The risk of default by financial advisers is managed through monthly monitoring of loan and commission debt balances.

The Group is also exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

Legal contracts are maintained where the Group enters into credit transactions with a counterparty.

Impact of credit risk on fair value

Due to the limited exposure that the Group has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are mainly due to changes in market conditions.

Maximum exposure to credit risk

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

Loans and advances subject to 12-month expected credit losses are £38 million (2022: £34 million) and other receivables subject to lifetime expected credit losses are £297 million (2022: £204 million). Those balances represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Group would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The Group does not have any significant exposure arising from items not recognised on the statement of financial position.

The table below represents the Group's exposure to credit risk from cash and cash equivalents.

							£m
	Credit rating relating to cash and cash equivalents						
31 December 2023	**AAA**	**AA**	**A**	**B**	**<BBB**	**Not rated[1]**	**Carrying value**
Cash at amortised cost, subject to 12-month ECL	**-**	**63**	**381**	**-**	**-**	**324**	**768**
Money market funds at FVTPL	**1,091**	**-**	**-**	**-**	**-**	**-**	**1,091**
Total cash and cash equivalents	**1,091**	**63**	**381**	**-**	**-**	**324**	**1,859**

							£m
	Credit rating relating to cash and cash equivalents						
31 December 2022	AAA	AA	A	B	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12-month ECL	-	13	388	5	-	264	670
Money market funds at FVTPL	1,112	-	-	-	-	-	1,112
Total cash and cash equivalents	1,112	13	388	5	-	264	1,782

[1]Cash included in the consolidation of funds is not rated (see note 13(a)).

18: Capital and financial risk management *continued*

18(b): Credit risk *continued*

Impairment allowance

Assets that are measured and classified at amortised cost are monitored for any expected credit losses on either a 12-month or lifetime ECL model. The majority of such assets within the Group are measured on the lifetime ECL model, with the exception of some specific loans that are on the 12-month ECL model.

Impairment allowance	£m
Balance at 1 January 2022	(1.2)
Change due to change in counterparty balance	0.1
31 December 2022	(1.1)
Change due to change in counterparty balance	**(0.4)**
Additional impairment in the year	**(1.5)**
31 December 2023	**(3.0)**

18(c): Market risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risks are linked to wider economic and geopolitical conditions and may be driven by the crystallisation of climate related financial risks. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

The Group has a market risk policy which sets out the risk management framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. The policy is cascaded to the businesses across the Group, and Group-level governance and monitoring processes provide oversight of the management of market risk by the individual businesses.

The Group does not undertake any principal trading for its own account. The Group's revenue is however affected by the value of assets under management and administration and consequently it has exposure to equity market levels and economic conditions. Scenario testing is undertaken to test the resilience of the business to severe but plausible events, including assessment of the potential implications of climate-related risks and opportunities, and to assist in the identification of management actions.

18(c)(i): Equity risk

In accordance with the market risk policy, the Group does not generally invest shareholder assets in equity, or related collective investments, except where the exposure arises due to:

- mismatches between unitised fund assets and liabilities. These mismatches are permitted, subject to maximum limits, to avoid excessive dealing costs; and
- seed capital investments. Seed capital is invested within new unitised or other funds within the Group at the time when these funds are launched. The seed capital is then withdrawn from the funds as policyholders and customers invest in the funds.

The above exposures are not material to the Group.

The Group derives fees (e.g. annual management charges) and incurs costs (e.g. outsourced service provider) which are linked to the performance of the underlying assets. Therefore, future earnings will be affected by equity market performance.

Equity sensitivity testing

A movement in equity would impact the fee income that is based on the market value of the investments held by or on behalf of customers. The sensitivity is applied as an instantaneous shock to equity at the start of the year. The sensitivity analysis is not limited to the unit-linked business and therefore reflects the sensitivity of the Group as a whole.

		£m
Impact on profit after tax and net assets	**31 December 2023**	31 December 2022
Impact of 10% increase in equity	**26**	30
Impact of 10% decrease in equity	**(26)**	(30)

18(c)(ii): Interest rate risk

Interest rate risk arises primarily from bank balances held with financial institutions.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within clients' investment funds, resulting in a fall in fund-based revenues.

Conversely, a reduction in interest rates would cause a rise in the value of investments in fixed income securities within clients' investment funds. It would also reduce the interest rate earned on cash deposits and money market funds.

Exposure of the financial statements to interest rates are summarised on the following page.

18: Capital and financial risk management *continued*

18(c)(ii): Interest rate risk *continued*

Interest rate sensitivity testing

The impact of an increase and decrease in market interest rates of 1% is tested (e.g. if the current interest rate is 5%, the test allows for the effects of an instantaneous change to 4% and 6% from the start of the year). The test allows consistently for similar changes in investment returns and movements in the market value of any fixed interest assets backing the liabilities. The sensitivity of profit to changes in interest rates is provided.

		£m
Impact on profit after tax and net assets	**31 December 2023**	31 December 2022 (Restated)[1]
Impact of 1% increase in interest rates	**9**	10
Impact of 1% decrease in interest rates	**(9)**	(10)

[1]The disclosures for 2022 have been restated to include certain non-trading entities that were previously excluded.

18(c)(iii): Currency translation risk

Currency translation risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional currency is pounds sterling, which accounts for the majority of the Group's transactions. The Group has minor exposure to Euros, through the Group's Irish subsidiary and to the South African Rand, due to the listing on the Johannesburg Stock Exchange and the payment of a proportion of shareholder dividends in Rand. During 2023, the Group had limited exposure to foreign exchange risk in respect of other currencies due to its non-UK operations and foreign currency transactions.

18(d): Liquidity risk

Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due or that market conditions preclude the ability of the Group to trade in illiquid assets in order to maintain its asset and liability matching ("ALM") profile. The Group manages liquidity on a daily basis through:

- maintaining adequate high-quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows; and
- monitoring a number of key risk indicators to help in the identification of a liquidity stress.

Individual businesses maintain and manage their local liquidity requirements according to their business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy and Group Liquidity Risk Appetite Statement. The Group framework is applied consistently across all businesses in the Group to identify, manage, measure, monitor and report on all liquidity risks that have a material impact on liquidity levels. This framework considers both short-term liquidity and cash management considerations and longer-term funding risk considerations.

Liquidity is monitored centrally by Group Treasury, with management actions taken at a business level to ensure each business has sufficient liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

Throughout the ongoing market volatility during 2023, Quilter plc and its subsidiaries have operated above their individual liquidity targets and there were no material liquidity stresses identified during the year. Daily liquidity monitoring continues across the Group to enable timely identification of any emerging issues.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of liquidity stresses. Contingency Funding Plans are in place for each individual business in order to set out the approach and management actions that would be taken should liquidity levels fall below liquidity thresholds which have been set to reflect the liquidity risk appetite of each business. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Information on the nature of the investments and securities held is given in note 10.

The Group has a £125 million five-year Revolving Credit Facility with a five-bank club that provides a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception in February 2018. The Group entered into a new five-year arrangement in January 2024 with the option to extend the facility for a further two-year period, to January 2031, and has continued to meet all the covenants attached to its financing arrangements.

The financing arrangements are considered sufficient to maintain the target liquidity levels of the Group and offer coverage for appropriate stress scenarios identified within the liquidity stress testing undertaken across the Group.

18(e): Insurance risk

18(e)(i): Overview

Insurance risk covers risks arising under products provided by Quilter's life insurance firm, Quilter Life & Pensions Limited. These products do not meet the IFRS definition of insurance contracts.

Insurance risk covers risk of adverse experience of withdrawal, overrun in expenses or higher than expected mortality experience.

The sensitivity of the Group's earnings and capital position to insurance risks is monitored through the Group's capital management processes.

The Group manages its insurance risks through the following mechanisms:

- Management of expense levels relative to approved budgets.
- Analysis and monitoring of experience relative to the assumptions used to determine technical provisions.

18: Capital and financial risk management *continued*

18(e)(i): Overview *continued*

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on products offered by Quilter Life & Pensions Limited occur at levels that are different to the levels assumed in the determination of technical provisions. Persistency statistics are monitored monthly and a detailed persistency analysis at a product group level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

Expenses

Expense risk is the risk that actual expenses and expense inflation differ from the levels assumed in the determination of technical provisions. Expense levels are monitored on a quarterly basis against budgets and forecasts. Expense drivers are used to allocate expenses to entities and products. Some product structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels and the market rate of inflation. This review may result in changes in charge levels.

Mortality

Mortality risk is not material as the Group does not provide material mortality insurance on its products.

18(e)(ii): Sensitivity analysis

Sensitivity analysis has been performed by applying the following parameters to the financial statements for 2022 and 2023. Interest rate and equity and property price sensitivities are included within the Group market sensitivities above.

Expenses

The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts within the unit-linked business. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase. The only administrative expenses that are deferrable are sales bonuses but as new business volumes are unchanged in this sensitivity, sales bonuses and the associated deferrals have not been increased. Administrative expenses have been allocated equally between life and pensions.

An increase in expenses of 10% would have decreased profit by £5 million after tax (2022: £6 million).

18(f): Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events, resulting in an adverse impact to earnings or reduced solvency. Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks.

Operational risk includes, but is not limited to, the effects of failure of administration processes, IT and Information Security maintenance and development processes, advice processes (including oversight of ongoing servicing provided by financial advisers), investment processes (including settlements with fund managers, fund pricing and matching and dealing), people and HR processes, product development and management processes, legal risks (e.g. risk of inadequate legal contracts with third parties), change delivery risks (including poorly managed responses to regulatory change), physical and certain transitional financial risks arising from climate change, risks relating to the relationship with third-party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

In accordance with Group policies, management has primary responsibility for the identification, measurement, assessment, management and monitoring of risks, and the escalation and reporting on issues to Executive Management.

The Group's Executive Management has responsibility for implementing the Group Operational Risk Framework and for the development and implementation of action plans designed to manage risk levels within acceptable tolerances and to resolve issues identified.

18(g): Contractual maturity analysis

Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies, and these liabilities are therefore classified as having a maturity of less than three months. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within a short time period.

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 year or the prior year which had a material effect on the results or financial position of the Group. Full details of transactions with related parties, including key management personnel compensation is included within note 39 of the financial statements within the Group's 2023 Annual report. The Group's interest in subsidiaries and related undertakings are set out in Appendix A of the financial statements within the Group's 2023 Annual report.

20: Events after the reporting date

Final Dividend

On 6 March 2024, the Group announced a proposed Final Dividend for 2023 of 3.7 pence per Ordinary Share amounting to £50 million in total. Subject to approval by shareholders at the Annual General Meeting, the dividend will be paid on 28 May 2024.

Borrowings

In January 2024, the Company entered into a £125 million five-year revolving credit facility with an option for the Company to extend for a further two years until January 2031. This new facility replaces the existing £125 million revolving credit facility entered into in February 2018. The facility remains undrawn and is being held for contingent funding purposes across the Group.