NEWS RELEASE

Quilter

9 March 2022
Quilter plc preliminary results for the year ended 31 December 2021

Revenue growth and cost management drive 28% profit growth

Management basis - Continuing business (excluding Quilter International)

- Assets under Management and Administration ("AuMA") of £111.8 billion at the end of December 2021, an increase of 13% from 31 December 2020 (£99.0 billion), with growth supported by improved net flows and positive market movement.
  - Net inflows of £4.0 billion (2020: £1.5 billion) representing 4% of opening AuMA (2020: 2%), with particularly strong performance from the new Quilter Investment Platform with £3.5 billion of net inflows, up 133% on prior year.
- Improved operating margin of 22% (2020: 19%) with growth in revenues of 10% and expenses of 5% given the unusual operating environment of the prior year due to COVID-19.
- Adjusted profit before tax increased by 28% to £138 million (2020: £108 million).
- IFRS profit before tax attributable to equity holders from continuing operations of £12 million (2020: loss of £27 million) given the increase in profit attributable to favourable equity market movements throughout the year resulting in higher AuMA.
- Adjusted diluted earnings per share from continuing operations increased 42% to 7.4 pence (2020: 5.2 pence), supported by a low tax rate (arising from a deferred tax credit in the first half of 2021) and a reduced share count due to the capital return programme.
- Final dividend of 3.9 pence per share versus 3.6 pence for 2020, bringing the total dividend for the year to 5.6 pence per share an increase of 22% (2020: 4.6 pence per share) inclusive of contribution of £25 million, or 1.6 pence per share, from Quilter International. Excluding the contribution from Quilter International, the dividend contribution from continuing operations has increased 39% to 4.0 pence.

Group highlights (including Quilter International)

- Adjusted profit before tax increased 12% to £188 million (2020: £168 million) of which £50 million (2020: £60 million) from Quilter International.
- IFRS profit after tax of £154 million (2020: £88 million).
- Adjusted diluted earnings per share of 10.4 pence, of which 3.0 pence is in respect of Quilter International (2020: 8.5 pence, of which 3.3 pence was in respect of Quilter International).

Statutory results

- IFRS profit after tax from continuing operations of £23 million (2020: £13 million).
- Basic earnings per share from continuing operations of 1.4 pence (2020: 0.8 pence).
- Diluted earnings per share from continuing operations of 1.4 pence (2020: 0.8 pence).
- Solvency II ratio of 275% after payment of the recommended final dividend (2020: 217%).

Strategic progress

- Successfully completed migration of advisers and clients onto the new Quilter Investment Platform in February 2021 with a substantial increase in gross flows onto our platform (58%), with gross flows from independent financial advisers increasing by 63%.
- Completion, in January 2022, of the £375 million share buyback programme from the Quilter Life Assurance sale proceeds. 264 million shares purchased at an average price of 141.97 pence per share, leading to a c.14% reduction in share count since programme inception.
- Sale of Quilter International at end November 2021 for £481 million completes the corporate restructuring of Quilter that has been in progress since prior to our Listing in June 2018.
- Proposed £328 million capital return (20 pence per share), equivalent to c.17% of market capitalisation, through B share scheme accompanied by a share consolidation, subject to regulatory engagement and shareholder approval at a General Meeting to be held on 12 May 2022. A separate announcement providing details of the timetable for the B share scheme and share consolidation has also been published today.
- Our Capital Markets Day in November 2021 set out a simpler customer-centric business structure, announced additional cost savings of £45 million through Simplification and set out targets, assuming stable markets, to double adjusted profit by the end of 2025 (from the continuing 2020 base); deliver mid-teens compound growth in earnings per share through 2025 (from the continuing 2020 base); and achieve an operating margin of at least 25% and 30% by 2023 and 2025 respectively.

Paul Feeney, Chief Executive Officer, said:

"2021 was an important year for Quilter as we completed our planned strategic evolution through the successful migration of customers and advisers onto our new platform and completed the sale of Quilter International for £481 million. We also demonstrated strong financial performance with more than doubled net inflows of £4 billion and achieved revenue growth of 10% while limiting cost growth to 5% to deliver adjusted profit growth of 28%.

Our confidence in our prospects is reflected in the Board's decision to lift the full-year dividend by 22% to 5.6 pence. Capital discipline remains a key element of the Quilter philosophy – we completed our £375 million buyback from the Quilter Life Assurance proceeds in early 2022 and I am pleased to confirm the Board is proposing a capital return of £328 million, equivalent to 20 pence per share, from the Quilter International sale proceeds, subject to regulatory engagement and shareholder approval at General Meeting on 12 May.

We are pleased to be delivering good results in these difficult times with significant geopolitical tensions at the centre of all our concerns. In 2022, our focus remains on managing our business towards delivering the targets we set out at our Capital Markets Day last November. This will include increasing flows to our Platform, particularly from third party advisers, product innovation and growth in our restricted adviser base".

Quilter highlights from continuing operations[1]	2021	2020
Assets and flows		
AuMA (£bn)[2]	**111.8**	99.0
Gross flows (£bn)[2]	**13.2**	9.9
Net inflows (£bn)[2]	**4.0**	1.5
Net inflows/opening AuMA[2]	**4%**	2%
Gross flows per adviser (£m)[2,3]	**2.3**	1.8
Asset retention[2]	**91%**	91%
Profit and loss		
IFRS profit/(loss) before tax attributable to equity holders from continuing operations (£m)[2]	**12**	(27)
IFRS profit after tax from continuing operations (£m)	**23**	13
Adjusted profit before tax (£m)[2]	**138**	108
Operating margin[2]	**22%**	19%
Revenue margin (bps)[2]	**48**	49
Return on equity[2]	**8.3%**	5.5%
Adjusted diluted earnings per share from continuing operations (pence)[2]	**7.4**	5.2
Basic earnings per share from continuing operations (pence)	**1.4**	0.8
Non-financial		
Restricted Financial Planners ("RFPs") in Affluent segment[4]	**1,563**	1,765
Discretionary Investment Managers in High Net Worth segment[4]	**170**	169
Quilter Private Client RFPs in High Net Worth segment[4]	**60**	77

[1]Continuing operations represent Quilter Group, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in 2021 was £50 million (2020: £60 million). Adjusted diluted EPS for Quilter International in 2021 was 3.0 pence per share (2020: 3.3 pence per share).
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 4 to 7.
[3]Gross flows per adviser is a measure of the value created by our Quilter distribution channel.
[4]Closing headcount as at 31 December.

Adjusted profit presented in this announcement

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

IFRS accounting standards require £10 million of costs (2020: £17 million), previously reported as part of Quilter International, to be disclosed within continuing operations as these costs do not transfer to Utmost Group on completion. Adjusted profit before tax is presented both before and after the reallocation of these costs in this announcement. These costs are expected to be incurred in 2022 to provide services to Utmost Group under the Transitional Services Agreement, with corresponding income to cover these costs.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 7. In the headings and tables presented from page 11 onwards, these measures are indicated with an asterisk: *.

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Paul Feeney, CEO, and Mark Satchel, CFO, will host a presentation and Q&A session for investors and analysts at 08:30am (GMT) today, 9 March 2022, at Quilter plc, Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

The presentation will be webcast live and is available via our website: https://plc.quilter.com/investor-relations/

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

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

Disclaimer

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

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

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

Alternative Performance Measures

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

APMs should be read together with the Group's condensed consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 29 to 33.

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 considers to be outside of the Group's normal operations or one-off in nature, as detailed on page 38 in the condensed consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax. Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results. Adjusted profit before tax is presented for the continuing Group (excluding Quilter International), for discontinued operations (Quilter International), and for the total Group for continuing and discontinued operations. IFRS accounting standards require £10 million of costs (2020: £17 million), previously reported as part of Quilter International, to be disclosed within continuing operations, as these costs did not transfer to Utmost Group on completion. Adjusted profit before tax is presented both before and after the reallocation of these costs in this announcement. These costs are expected to be incurred in 2022 to provide services to Utmost Group under the Transitional Services Agreement, with corresponding income to cover these costs. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 16 of the Financial review. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained on page 12. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 5(c) to the condensed consolidated financial statements on page 40.
Adjusted profit after tax	Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.
Adjusted profit before tax after reallocation	Adjusted profit before tax after reallocation reflects adjusted profit before tax including certain costs within continuing operations relating to Quilter International that did not transfer to Utmost Group on completion of the sale, as detailed above. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax after reallocation is provided in note 5(c) to the condensed consolidated financial statements on page 40.
IFRS profit before tax attributable to equity holders	IFRS profit before tax attributable to equity holders represents the profit after policyholder tax ('tax attributable to policyholder returns') but before shareholder tax ('tax attributable to equity holders'). The tax charge for the Group's UK life insurance entity, Quilter Life & Pensions Limited, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the Group, in that it is based on the return on assets held by the Group's life insurance entity to match against related unit-linked liabilities in respect of clients' policies, and for which the Company charges fees to clients. As such, policyholder tax can be a charge or credit in any period depending on underlying market movements on those assets held to cover linked liabilities.

	Shareholder tax is the remaining tax after deducting policyholder tax and is more reflective of the profitability of the entity. This metric is included on the face of the Group's income statement on page 38 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 5(a) to the condensed consolidated financial statements.
IFRS profit before tax from continuing operations (excluding amortisation, policyholder tax adjustments, business disposal impacts and other one-off items)	This profit metric is calculated using the Group's IFRS profit before tax, from continuing operations and is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, business disposal impacts and other one-off items as disclosed in the reconciliation in the Group's Annual Report. This metric is used as the basis for remuneration, which is explained in the Remuneration report in the Group's Annual Report.
Revenue margin (bps)	Revenue margin represents net management fees, divided by average AuMA. Management uses this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 12 of the Financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net fee revenue. Management uses this APM as this is an efficiency measure that reflects the percentage of total net fee revenue that becomes adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained in the adjusted profit section on page 12.
Gross flows	Gross flows are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross flows are referred to in the Financial review on pages 11 to 12 and disclosed by segment in the supplementary information on pages 23 to 24.
Net flows	Net flows is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is a lead indicator of total net fee revenue. Net flows is referred to throughout this document, with a separate section in the Financial review on pages 11 to 12 and is presented by business and segment in the supplementary information on pages 23 to 24.
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. AuMA is referred to throughout this document, with a separate section in the Financial review on page 12 and is presented by business and segment in the supplementary information on page 26.
Average AuMA	Average AuMA represents the average total market value of all financial assets managed and administered on behalf of customers. Average AuMA is calculated using a 7-point average (half year) and 13-point average (full year) of monthly closing AuMA.
Total net fee revenue	Total net fee revenue represents revenue earned from net management fees and other revenue listed below and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 13 of the Financial review and note 5(c) in the condensed consolidated financial statements.
Net management fees	Net management fees consist of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used

	across our industry. Net management fees are a part of total net fee revenue and is a key input into the Group's operating margin. Further information on net management fees is provided on page 13 and note 5(c) in the condensed consolidated financial statements.
Other revenue	Other revenue represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees). Other revenue is a part of total net fee revenue, which is included in the calculation of the Group's operating margin. Further information on other revenue is provided on page 13 and note 5(c) in the condensed consolidated financial statements.
Operating expenses	Operating expenses represent the costs for the Group, which are incurred to earn total net fee revenue and excludes the impact of specific items that management considers to be outside of the Group's normal operations or one-off in nature . Operating expenses are included in the calculation of adjusted profit before tax and impact the Group's operating margin. A reconciliation of operating expenses to the applicable IFRS line items is included in note 5(c) to the condensed consolidated financial statements, and the adjusting items excluded from operating expenses are explained in note 5(b). Operating expenses are explained on page 14 of the Financial review.
Cash generation	Cash generated from operations is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book. Cash generation is explained on page 16 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 11, and by segment on page 26.
Net inflows/opening AuMA	This measure is calculated as total net flows annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 2.
Gross flows per adviser	Gross flows per adviser is a measure of the value created by our Quilter distribution channel and is an indicator of the success of our multi-channel business model. Gross flows per adviser is calculated as gross flows generated by the Quilter channel through the Quilter Investment Platform, Quilter Investors or Quilter Cheviot (annualised) per average Restricted Financial Planner in both segments. Gross flows per adviser is provided on pages 2, 11 and 12.
Return on Equity ("RoE")	Return on equity calculates how many pounds of profit the Group generates from continuing operations with each pound of shareholder equity. This measure is calculated as adjusted profit after tax divided by average equity. Equity is adjusted for the impact of discontinued operations, if applicable. Return on equity is provided on page 2.
Adjusted diluted earnings per share	Adjusted diluted earnings per share represents the adjusted profit earnings per share, calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 46 and note 8 in the condensed consolidated financial statements.

	A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, is shown in note 8 to the condensed consolidated financial statements. Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the Financial review on page 14.
Headline earnings per share	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 *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.

Chief Executive Officer's statement

Execution

2021 was a year where the world began to adapt to a new normal, living with COVID as a permanent feature of our lives. This has meant blending homeworking with the traditional office environment, maintaining a high level of firm-wide communication and employee engagement while continuing to engage with our customers through whichever channels suit them best.

There were three significant corporate-defining moments for Quilter in 2021:

- completing our Platform Transformation Programme early in the year;
- completing the sale of Quilter International at the end of November; and
- the reorganisation of the business into new segments that we announced at our Capital Markets Day on 3 November.

Together these events mark the culmination of a strategic journey we have been on since our Listing in June 2018 and which has made Quilter a UK-focused modern wealth manager. We now look forward to delivering on the opportunity we see before us and our 2021 results demonstrate excellent progress towards those goals.

Transformation

A year ago, I said that there were three strands to our strategic transformation agenda at Quilter:

- we would leverage the transformational power of our new UK Platform to drive faster growth and productivity;
- we would make Quilter a simpler business, focused on customer segments, to deliver even better customer outcomes and journeys; and
- we would optimise our business by completing the cost reduction plans we set out in March 2019, to drive operational leverage.

We have made substantial progress on each of these goals during 2021. Taking each in turn:

We completed the migration of client and adviser relationships onto our new UK Platform in February 2021; a significant milestone. We rebranded the UK Platform to the Quilter Investment Platform in July and decommissioned our legacy platform at the end of the summer. I am delighted with the high levels of engagement and adoption we have enjoyed from both our own advisers (the Quilter channel) and independent advisers (the IFA channel). Notably, gross flows in the IFA channel were up significantly year-on-year (+63%) after a number of years of sequential declines. This growth is already having a beneficial impact on our operating momentum.

Secondly, making Quilter a simpler business, the sale of Quilter International has allowed us to simplify our operating model. We announced plans to reorganise our Company into two new segments, Affluent and High Net Worth, at our Capital Markets Day in November 2021. These segments are now focused on driving growth, improving efficiency and delivering good customer outcomes across their respective client bases.

Lastly, we delivered £61 million of cost savings from our Optimisation plans by end-2021 and are on track to deliver £65 million of total savings from this programme by mid-2022. These actions are already benefitting our operating margins. As well as simplifying our operating model, the sale of Quilter International will allow us to deliver meaningful cost savings through eliminating legacy complexity in our IT infrastructure once the Transitional Service Agreement with the purchaser comes to an end. We announced a further £45 million of cost savings at our November Capital Markets Day which we expect to deliver by the end of 2024 as part of our goal to increase our operating margin to at least 25% and 30% by 2023 and 2025 respectively.

Operational delivery

We experienced substantial improvement in both gross and net flows year-on-year. Gross client flows into the business were around 35% higher at £13.2 billion. Net flows increased to £4.0 billion versus £1.5 billion in 2020. This reflected stable persistency in client assets across Quilter Cheviot and the Quilter Investment Platform. The overall level of flows in respect of Defined Benefit ("DB") to Defined Contribution pension transfers at £581 million were lower than 2020 (£862 million) and remain a modest amount of our overall business.

Overall AuMA balances increased by 13% over the course of the year with a closing balance of £111.8 billion at 31 December 2021 compared with £99.0 billion at 31 December 2020 on a continuing basis. Average AuMA, the principal driver of net management fee revenue, of £105.3 billion for the year, was 17% ahead of the 2020 level of £90.2 billion on a continuing business basis.

Delivering good customer outcomes through a trusted advice relationship is at the core of the Quilter business model. The Quilter Investment Platform is central to our business, providing the investment 'wrappers' and support functions to meet both our clients' and their advisers' needs, while our investment solutions provide the intellectual capability to deliver the outcomes our clients seek. Confidence in our proposition is demonstrated through the continued attraction of our solutions to independent financial advisers.

As I noted earlier, I was particularly pleased to see the increase in flows of £9.0 billion gross (+58%) and £3.5 billion net (+133%) onto the Quilter Investment Platform during the year. Notably, we saw a near five-fold increase, to £1.7 billion, in net inflows from the IFA channel onto our new platform (2020: £0.4 billion), reflecting the good acceptance our new platform has received from the IFA community. I expect this momentum to continue to build as we begin to encourage new IFA firms to start using our new platform given the wider range of products we can offer, assets we can hold and quality of our service.

This time last year, we indicated that ahead of our new platform coming on stream, we wished to increasingly focus on the productivity of our own advisers and ensure greater alignment with the integrated Quilter proposition. As a result of this, we finished the year with a total of 1,623 Restricted Financial Planners net of departures. As targeted, we have also seen a meaningful step-up in productivity with Quilter advisers generating £2.3 million of Quilter channel gross flows per adviser in 2021, up from £1.8 million in 2020. We expect to return to growth in adviser numbers during 2022 as we complete the repositioning of our advice business. The pipeline of firms seeking to join our network remains good in a competitive market.

In our High Net Worth business, I was delighted with a near four-fold uplift in our net inflows to £1.1 billion. Our team of client-facing professionals are our key client relationship interface. This can be through an investment manager, a financial adviser or both. With the creation of the High Net Worth segment, 62 financial advisers moved from Quilter Financial Planning to work closely alongside Quilter Cheviot colleagues to create our High Net Worth segment and we expect to build on this number over time. We have continued to add to the investment team and our Investment Manager headcount increased to 170 at the end of 2021 from 169 in December 2020 after a few expected retirements during the year.

Our investment solutions continue to deliver good investment performance for clients. The medium- and long-term performance at Quilter Cheviot continued to outperform relevant ARC benchmarks, remaining first or second quartile, to the end of December 2021. Quilter Investors' multi-asset solutions performance was solid, with performance on the biggest range, Cirilium Active, remaining good over the longer term with all risk profiles having achieved returns ahead of their sector average since inception. The three-year performance metrics also improved meaningfully during the course of 2021. The Active and the Passive Blend WealthSelect portfolios continue to deliver strong performance over the longer term and have shown improved relative performance on a shorter-term basis. Over both three and five years, 12 out of 16 portfolios are in the top two quartiles.

Business performance

Total adjusted profit before tax, including a contribution of £50 million from Quilter International for the 11 months until completion, was £188 million.

On a continuing business basis, adjusted profit before tax for 2021 of £138 million, up 28% on 2020, was a pleasing out-turn. Higher total net management fee income of £500 million (2020: £446 million) reflected the higher average AuMA experienced in 2021, offset by a single basis point decline in average revenue margins as a result of the mix shift in Quilter Investors and the strong performance of the Quilter Investment Platform which generates a lower revenue margin for us than the overall average. Other revenue of £118 million was unchanged on 2020 (£118 million) reflecting the reorganisation of our advice business.

We remain committed to achieving operating margins in excess of 25% and 30% in 2023 and 2025 respectively and have made good progress towards those goals in 2021. In 2020 our cost management initiatives partly protected the P&L from volatility in the external environment by delivering tactical cost reductions of c.£40 million through lower variable compensation costs, reduced marketing and development spend and other short-term initiatives. As expected, better market levels and operating conditions have allowed us to reverse around three quarters of those cost reductions during 2021, and while this contributed to a drag on operating margin expansion, we still delivered an improvement in the continuing business operating margin of three percentage points to 22% (2020: 19%), excluding Quilter International.

A 6% adjusted profit increase to £111 million (2020: £105 million) within our Affluent segment was more muted than the increase achieved by the High Net Worth segment, impacted by the anticipated reversal of the tactical cost savings implemented in 2020, more normal levels of annual incentive accruals and the impact of stranded costs following the sale of Quilter International. Within our High Net Worth segment, adjusted profit increased 44% to £56 million (2020: £39 million) reflecting our high-end advice business, Private Client Advisers, moving into profit as well as strong operating leverage with much faster income growth than cost growth in the discretionary fund management business. Head Office costs reduced to £29 million from £36 million, in line with the guidance we provided at the Capital Markets Day in November 2021.

Our IFRS profit after tax from continuing operations was £23 million, compared to a profit of £13 million in 2020. The difference between this measure and our adjusted profit is largely due to non-cash amortisation of intangible assets, our Business Transformation expenses and the impact of policyholder tax positions on the Group's results. Business Transformation expenses will remain in 2022 reflecting the expenditure on our Optimisation and Simplification programmes and are expected to reduce substantially over the next three years.

Total Group adjusted diluted earnings per share was 10.4 pence, of which 3.0 pence is in respect of Quilter International, an increase of 22% (2020: 8.5 pence, of which 3.3 pence was in respect of Quilter International).

Adjusted diluted earnings per share from continuing operations increased to 7.4 pence (2020: 5.2 pence). We have targeted a mid-teens compound annual growth rate in EPS to 2025 from the 2020 base. The initial growth of 42% in 2021 off that base represents an excellent start against that metric, albeit that this year's progress has been supported by both a reduced share count due to the capital return programme and a lower than usual tax charge. On an IFRS basis, we delivered basic EPS from continuing operations of 1.4 pence versus of 0.8 pence per share for the comparable period of 2020 on the same basis. Period-end shares declined by 128 million as a result of our share buyback programme which completed in January 2022 and which reduced our overall share count by c.14% over the course of the programme.

The Board is recommending a final dividend of 3.9 pence per share which, together with the Interim Dividend of 1.7 pence per share, takes the proposed Full Year Dividend to 5.6 pence per share (inclusive of a distribution of £25 million, or 1.6 pence per share, in respect of Quilter International's profit contribution). This compares to a 2020 Dividend of 4.6 pence per share. Excluding the contribution from Quilter International, the dividend contribution from continuing operations has increased 39% to 4.0 pence.

As indicated at our Capital Markets Day in November 2021, we intend to return £328 million to shareholders as a capital return reflecting the net surplus proceeds from the sale of Quilter International after retaining £90 million to fund planned Business Simplification and selected revenue enhancing investments. The B share scheme will be accompanied by a share consolidation, subject to regulatory engagement, and shareholder approval at a General Meeting on 12 May 2022. Further details of the B share scheme and share consolidation have been provided in a separate announcement to the market published today.

Finally, the provision made in respect of certain DB to DC pension transfer advice provided by Lighthouse advisers prior to Quilter's acquisition of Lighthouse has increased by £7 million from the end-2020 level predominantly due to the identification of some instances of unsuitable DB transfer advice being given by Lighthouse advisers beyond that relating to former British Steel Pension Scheme members, which may have caused customers to sustain losses. We continue to work proactively with the FCA and the skilled person review relating to DB to DC pension transfers by Lighthouse to ensure good customer outcomes for the clients involved. Even though the advice to transfer these pensions predated Lighthouse transitioning to our systems and controls after our acquisition of Lighthouse, we will ensure that these clients are treated fairly, consistent with the FCA's requirements and our values.

Governance and culture

In October 2021, our Chair, Glyn Jones, informed the Board of his intention to retire in 2022 once a successor is identified and appointed. Ruth Markland, our Senior Independent Director is chairing a newly constituted sub-committee of the Board Corporate Governance and Nominations

Committee to identify and recommend to the Board an appropriate individual to be appointed as a Director and the next Chair of Quilter. The Committee is working with an external recruitment firm to facilitate the search. Since taking up the role of Chair prior to our Listing, Glyn has not only built a Board of many talents but has provided wise and valuable counsel to both me and my executive team as we have reshaped Quilter over the last four years. He will leave with our deepest gratitude and best wishes for the future when he departs later this year.

2021 saw two additions to the Board with Tazim Essani and Chris Samuel being appointed to the Board in March 2021 and July 2021 respectively.

- Tazim's experience in senior executive roles at regulated financial services businesses equips her well to provide strategic guidance and constructive challenge to Quilter's leadership team. Alongside Paul Matthews, Tazim is a designated Non-executive Director for employee engagement with a particular interest in promoting and building on the diversity and inclusion of our people.
- Chris is an experienced non-executive and has chaired the Quilter Financial Planning Board, our financial advice business, since June 2020. He has considerable experience in financial services, particularly in the areas of investment and asset management. This experience will enable him to provide challenge, advice and support to Quilter's management team on business performance and operational matters.

In January 2022, Rosie Harris who has been Chair of the Quilter Board Risk Committee since 2017, announced that she would not stand for re-election at the 2022 AGM as a recent external appointment had created practical difficulties for her attending Quilter meetings. Rosie will step down from the Quilter Board effective 30 April 2022 and a search for her successor to Chair the Board Risk Committee is under way. The Board has appointed George Reid as interim Chair of the Board Risk Committee with effect from 1 May 2022 while a permanent successor for Rosie Harris is being sought.

Creating an inclusive and diverse culture where all colleagues feel they can be themselves has always been a core tenet of our cultural agenda. We have remained focused on progressing our Inclusion and Diversity agenda, appointing a new Head of Inclusion and Diversity and launching our new cultural engagement programme, 'We-Rise', designed to engage colleagues with the next phase of our strategic journey. We have also continued to progress our workplace strategy with the successful re-opening of our refurbished Quilter House in Southampton our most significant achievement. As we have gradually reopened access to our offices, we have seen colleagues embrace the new flexible approach our workplace strategy was designed to encourage. Whilst we continue to be mindful of reminding colleagues of the importance of collaborating face-to-face at least a few days per week, our "new normal" should enable us to continue to rationalise our property estate over the coming years.

Quilter is committed to responsible investment and earlier this year we updated our matrix for our restricted network advisers to incorporate ESG ratings and introduced two specific ESG solutions, one of which was our own Climate Assets fund managed by Quilter Cheviot. As a result, ascertaining clients' ESG preferences is now a core input into the advice process for our restricted advisers. Our investment teams incorporate ESG analysis into their investment processes. We continue to make good progress with ensuring all model portfolio holdings for equities and funds within Quilter Cheviot and Quilter Investors are appropriately evaluated against ESG metrics.

Climate change is undoubtedly one of the most significant challenges the world faces and tackling it is a responsibility of everyone. In 2021, we formalised our climate change strategy with the objective to reduce Quilter's contribution to climate change and support the transition to a low carbon economy. To achieve this ambition, we have developed a framework which is helping us to reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity, offer clients climate-focused investment solutions and align with the Task Force on Climate-related Financial Disclosure. I am pleased with our progress on incorporating ESG considerations across our entire value chain: we are embedding ESG into our standard advice process to help clients invest according to their ESG preferences, and we are embedding ESG even more deeply into our standard investment management processes, both within our multi-asset investment solutions and our discretionary wealth management.

To provide clients and advisers with greater transparency, we have included ESG ratings for third-party funds available on our UK Platform. Upon this solid foundation we will enhance our approach to responsible investment further in 2022.

Outlook

We are pleased with our 2021 performance but we are facing difficult times with significant geopolitical tensions at the centre of all our concerns. Our hearts are with the people of Ukraine and their struggle puts the market volatility we face into an appropriate perspective. Up to the end of February, our year-to-date net inflows were comfortably ahead of the comparable period in 2021, although the conflict in Ukraine is likely to have a bearing on equity and bond markets, investor sentiment and inflation amongst other factors. While it remains too early to predict the impact or the likely duration of these events, it is at times like this that our advice-based model is particularly valued by customers providing support as they navigate through this period of uncertainty. In 2022, our focus remains on managing our business towards delivering the targets we set out at our Capital Markets Day last November. This includes targeting increasing flows to our Platform, particularly from third party advisers, product innovation and growth in our restricted adviser base.

Paul Feeney

Chief Executive Officer

Financial review

Review of financial performance

In this section, review of financial performance, unless indicated otherwise, all results are presented excluding Quilter International in both the current year and prior year comparative.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 7. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

Quilter highlights from continuing operations[1]	2021	2020
Assets and flows		
AuMA* (£bn)[2]	**111.8**	99.0
Of which Affluent	**83.1**	73.7
Of which High Net Worth	**28.7**	25.3
Gross flows* (£bn)[2]	**13.2**	9.9
Of which Affluent	**10.5**	7.7
Of which High Net Worth	**2.7**	2.2
Net inflows* (£bn)[2]	**4.0**	1.5
Of which Affluent	**2.9**	1.2
Of which High Net Worth	**1.1**	0.3
Net inflows/opening AuMA*[2]	**4%**	2%
Gross flows per adviser* (£m)[2,3]	**2.3**	1.8
Asset retention*[2]	**91%**	91%
Profit and loss		
IFRS profit/(loss) before tax from continuing operations attributable to equity holders* (£m)[2]	**12**	(27)
IFRS profit after tax from continuing operations (£m)	**23**	13
Adjusted profit before tax* (£m)[2]	**138**	108
Operating margin*[2]	**22%**	19%
Revenue margin* (bps)[2]	**48**	49
Return on equity*[2]	**8.3%**	5.5%
Adjusted diluted EPS* from continuing operations (pence)[2]	**7.4**	5.2
Basic earnings per share from continuing operations (pence)	**1.4**	0.8
Non-financial		
Restricted Financial Planners ("RFPs") in Affluent segment[4]	**1,563**	1,765
Discretionary Investment Managers in High Net Worth segment[4]	**170**	169
Quilter Private Client RFPs in High Net Worth segment[4]	**60**	77

[1]Continuing operations represent Quilter Group, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in 2021 was £50 million (2020: £60 million). Adjusted diluted EPS for Quilter International in 2021 was 3.0 pence per share (2020: 3.3 pence per share).
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 4 to 7.
[3]Gross flows per adviser is a measure of the value created by our Quilter distribution channel.
[4]Closing headcount as at 31 December.

Overview

The Group's financial performance for the year was strong, attributed to the recovery in the equity markets over the period, good net inflows and continued focus on expense control. The FTSE-100 index recorded its best year since 2016 as UK stocks recovered from the pandemic shock of 2020 and ended the period up 14% on closing 2020 levels. The MSCI World index (GBP) was up 21% on the 2020 closing index value. The Group's AuMA ended the year at £111.8 billion, a 13% increase from the opening position at the start of 2021, resulting from £8.8 billion of positive market movements and net inflows of £4.0 billion, predominantly driven by Quilter Investment Platform.

Net inflows were £4.0 billion for the year (2020: £1.5 billion), delivering strong gross flows and net inflows across both segments. The Group experienced higher gross flows and net inflows in 2021 primarily due to the full launch of the new Quilter Investment Platform in February 2021 and increased adviser activity thereafter. Net flows as a percentage of opening AuMA was 4% (2020: 2%), representing pleasing progress towards our 6% target. Detailed analysis on net flows by business is shown in the supplementary information section of this announcement.

- **The Affluent segment** recorded net inflows of £2.9 billion, up 142% on the prior year (2020: £1.2 billion) due to record net inflows in Quilter Investment Platform of £3.5 billion (2020: £1.5 billion), partially offset by net reductions of £0.6 billion in assets managed by Quilter Investors on third-party platforms in relation to legacy and closed books of business. Gross flows were significantly ahead of prior year with increased adviser activity following the final platform migration in February 2021 which supported the increase in sales. Quilter Investment Platform's gross outflows during the year were higher than 2020 due to a return to more normal levels of inter-platform switches as COVID-19 uncertainty subsided. Within the Quilter distribution channel, improved activity levels and investor sentiment drove the increase in net inflows from £1.3 billion in 2020 to £2.0 billion. Net inflows to Quilter Investors was £0.5 billion for the year, up 67% (2020: £0.3 billion), driven by a decrease in gross outflows from Cirilium Active of £0.8 billion due to improved fund performance, offset by reduced gross flows to Cirilium Passive, Cirilium Blend and the Income range.
- **The High Net Worth segment** attracted net inflows of £1.1 billion, an increase of 267% on the prior year (2020: £0.3 billion), driven by a significant improvement in gross flows in Quilter Cheviot, particularly from existing clients as market confidence improved, promoting higher levels of activity after the market uncertainty arising from COVID-19 in 2020. Gross flows in Quilter Cheviot from direct clients and those advised by independent financial advisers increased by 33% to £2.2 billion in 2021, while the gross flows originating from our own advisers remained constant at £462 million for the year. Persistency for the High Net Worth segment marginally improved in 2021 compared to 2020.

Quilter channel gross flows per advisor* was £2.3 million for the year (2020: £1.8 million) with average gross flows per adviser increasing across both Quilter Investors and Quilter Investment Platform, while gross flows to Quilter Cheviot was broadly in line with the prior year. Gross flows to the Affluent segment delivered a 25% improvement between years, with an increase of £0.7 billion resulting from the full launch of the new platform in February 2021 and the impact of COVID-19 on the 2020 comparative.

The Group's AuMA ended the year at £111.8 billion, a 13% increase from the opening position at the start of 2021. Affluent's AuMA was £83.1 billion, up 13% on prior year (2020: £73.7 billion). The Affluent segment contributed 31% of AuMA into Quilter solutions, in line with the prior year. High Net Worth's AuM of £28.7 billion, increased by 13% in the year (2020: £25.3 billion), primarily the result of positive market movements and net inflows of £1.1 billion. All the assets in this segment are managed in Quilter solutions. In total, 49% of total AuMA is managed in Quilter solutions across the Group.

The Group's revenue margin* of 48 bps was 1 bp lower than the prior year (2020: 49 bps). Quilter Investors' revenue margin decreased to 52 bps (2020: 53 bps) due to the increased AuM concentration in lower revenue margin products. Within Quilter Investment Platform the revenue margin decreased by 2 bps to 27 bps, due to the reprice that was implemented in April 2020, an uplift in assets year-on-year arising from higher market levels which contributes incremental revenue at lower pricing tiers, and expected lower margins on net inflows, notably from restricted advisers which contribute to the Quilter distribution channel. Gross outflows were predominantly from older, higher margin channels. Quilter Cheviot's revenue margin decreased by 1 bp to 71 bps, primarily due to lower commission and contract charges and the impact of tiered fee structures on higher average AuM.

Adjusted profit before tax increased by 28% to £138 million, primarily due to increases in revenue generated from higher average AuMA levels across the Group. Operating expenses in 2021 of £480 million were 5% higher than the prior year largely driven by increases in FSCS levies and variable compensation. The Group's operating margin increased to 22% (2020: 19%) driven by the increases in revenue of 10%, partially offset by a 5% rise in operating expenses in the year.

The Group's IFRS profit after tax from continuing operations was £23 million, compared to a profit of £13 million for 2020. The increase in profit is attributable to favourable equity market movements throughout the year resulting in higher average AuMA.

Adjusted diluted earnings per share increased 42% above that of the previous year at 7.4 pence (2020: 5.2 pence).

Financial performance by segment

Financial performance from continuing operations and Quilter International 2021 (£m)	**Affluent**	**High Net Worth**	**Head Office**	**Continuing operations**	**Discontinued operations**	**Total Group**
Net management fee*	311	189	-	500	89	589
Other revenue*	95	23	-	118	6	124
Total net fee revenue*	**406**	**212**	**-**	**618**	95	**713**
Operating expenses*	(295)	(156)	(29)	(480)	(45)	(525)
Adjusted profit before tax*	**111**	**56**	**(29)**	**138**	50	**188**
Tax				**(13)**	-	**(13)**
Adjusted profit after tax*				**125**	50	**175**
Operating margin (%)*	27%	26%		22%	53%	26%
Revenue margin (bps)*	40	71		48	n/a	48

Financial performance from continuing operations and Quilter International 2020 (£m)	Affluent	High Net Worth	Head Office	Continuing operations	Discontinued operations	Total Group
Net management fee*	278	168	-	446	106	552
Other revenue*	92	25	1	118	12	130
Total net fee revenue*	370	193	1	564	118	682
Operating expenses*	(265)	(154)	(37)	(456)	(58)	(514)
Adjusted profit before tax*	105	39	(36)	108	60	168
Tax				(15)	(1)	(16)
Adjusted profit after tax*				93	59	152
Operating margin (%)*	28%	20%		19%	51%	25%
Revenue margin (bps)*	42	72		49	n/a	51

Total net fee revenue*

The Group's total net fee revenue on a continuing basis increased by 10% to £618 million (2020: £564 million) due to higher average Group AuMA of £105.3 billion (2020: £90.2 billion), resulting from the positive equity market performance and net inflows. The blended revenue margin for the Group, calculated with reference to net management fees, decreased by 1 bp to 48 bps.

Total net fee revenue for Affluent was £406 million, up 10% from the prior year (2020: £370 million), principally due to the impact of higher levels of assets with average AuMA increasing by £11.6 billion to £78.5 billion in 2021. This was partially offset by the impact on revenues of the shift to lower margin products in Quilter Investors, continuing the trend of new business margins being lower than the existing back book rates, an increase in the proportion of assets from the Quilter distribution channel, and the Quilter Investment Platform repricing implemented in April 2020. Other revenue predominantly reflects revenue generated from the provision of advice within Quilter Financial Planning. Within the revenue generated by advice, recurring and fixed fees increased year on year, while initial fees were at similar levels to those of 2020.

Total net fee revenue in High Net Worth increased by 10% during the year to £212 million (2020: £193 million), principally due to greater levels of average AuM, which increased by 15% over the year to £26.8 billion (2020: £23.3 billion), partially offset by an expected reduction in commission revenue as the proportion of clients on fee-only propositions continues to increase. This resulted in a 12% increase in net management fees to £189 million (2020: £168 million). Other revenue, reflecting revenue generated from Quilter Private Client Advisers, was at a similar level to that of the prior year.

Operating expenses*

Operating expenses from continuing operations have increased by £24 million to £480 million (2020: £456 million). In 2021, the Group incurred £4 million of additional FSCS levy and regulatory costs compared to the prior year and higher variable compensation costs of £25 million as a result of improved business performance in 2021. The higher variable compensation cost in 2021 was predominantly incurred in the Affluent segment which had been the area of the business more heavily impacted by the reduced variable compensation in 2020. In addition, included within operating expenses are £10 million of costs previously incurred by Quilter International in 2020. These costs have been included in 2021 in the cost base of the continuing business as the costs do not transfer to Quilter International on sale. The majority of these costs have also been attributed to the Affluent segment in 2021.

Operating expense split (£m)	2021 Continuing operations	As a percentage of revenues	2020 Continuing operations	As a percentage of revenues
Support staff costs	**127**		126	
Operations	**27**		35	
Technology	**42**		30	
Property	**31**		43	
Other base costs[1]	**25**		28	
Sub-total base costs	**252**	41%	262	46%
Revenue-generating staff base costs	**83**	13%	86	15%
Variable staff compensation	**80**	13%	55	10%
Other variable costs[2]	**36**	6%	26	5%
Sub-total variable costs	**199**	32%	167	30%
Regulatory/professional indemnity costs	**29**	5%	27	5%
Operating expenses*	**480**	78%	456	81%

[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.

Support staff costs have increased by 1% to £127 million (2020: £126 million) driven by incremental hiring to support ongoing controls remediation in Quilter Financial Planning offset by continued savings realised from Optimisation activities. The prior year included one-off costs relating to the initial COVID-19 response.

Operations costs have decreased by 23% to £27 million (2020: £35 million). The key factor for the reduction is the launch of the new platform resulting in some operational activities being outsourced to a third-party provider (FNZ), the costs of which are reported in other variable costs.

Technology costs have increased by 40% to £42 million (2020: £30 million). Technology costs have increased in the short term as a result of the sale of Quilter International in 2021 leaving a portion of previously shared costs to be borne by the continuing business. These increases were partially offset by the continuing Optimisation activities focusing on consolidation and decommissioning of the technology estate.

Property costs have decreased by 28% to £31 million (2020: £43 million) principally the result of a reduction in London property costs as the dual running costs for Head Office experienced in 2020 were eliminated as planned.

Other base costs have remained stable at £25 million (2020: £28 million) where discretionary spend has remained subdued as the pandemic continued throughout 2021.

Revenue-generating staff base costs have decreased by 3% to £83 million (2020: £86 million) principally driven by Optimisation activity in Quilter Financial Planning focused on adviser productivity.

Variable staff compensation increased by 45% to £80 million (2020: £55 million) reflecting the improved business performance in 2021 compared to 2020 and the impact of COVID-19 on variable remuneration following the equity market falls experienced during the prior year.

Other variable costs increased by 38% to £36 million (2020: £26 million) principally due to the recognition of operating expenses associated with the new platform and the resultant outsourcing of the operations capabilities and IT support requirements during the year.

Regulatory and insurance costs have increased by 7% to £29 million (2020: £27 million), largely driven by the increased FSCS levy of £4 million.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax for the Group's continuing operations was 9% (2020: 14%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to the change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 which resulted in a rebase in the Group's deferred tax assets and liabilities. This had a net positive impact to the tax expense as a consequence of the Group currently being in a net deferred tax asset position.

The Group's IFRS income tax expense on continuing operations was a charge of £62 million for the period ended 31 December 2021, compared to a credit of £4 million for the prior period. The income tax expense or credit can vary significantly between periods as a consequence of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. In addition, the IFRS income tax credit for the period ended 31 December 2020 included first-time recognition of a deferred tax asset in relation to accrued interest expense. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 16 and in note 5(b) to the condensed consolidated financial statements.

Earnings Per Share ("EPS")

Basic EPS for 2021 was 9.4 pence (2020: 5.0 pence). Basic EPS is based on the Group's IFRS profit (including both continuing and discontinued operations). For 2021, the basic EPS relating to continuing business was 1.4 pence (2020: 0.8 pence), and 8.0 pence relates to discontinued operations (2020: 4.2 pence). Discontinued operations include profit attributable to Quilter International and the gain recognised on sale. The average number of shares in issue used for the basic EPS calculation was 1,644 million (2020: 1,760 million), after the deduction of own shares held in Employee Benefit

Trusts ("EBTs") and consolidated funds of 77 million (2020: 82 million). The reduction in the number of shares in issue in the period is due to the share buyback programme, which commenced in 2020. During the year ended 31 December 2021, a total of 128.1 million shares (2020: 118.3 million) have been bought and cancelled by Quilter plc.

The average number of shares in issue used for the diluted EPS calculation was 1,683 million (2020: 1,797 million). This includes the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 39 million (2020: 37 million). The dilutive effect of share awards has continued to increase due to additional shares held in the EBT's being released to employees pursuant to employee share schemes.

At our Capital Markets Day on 3 November 2021, we announced a revised Group dividend policy. The new policy sets a target pay-out range of 50% to 70% of post-tax, post-interest adjusted profits, revised from 40% to 60% of post-tax adjusted profits previously. The new policy will become effective after our 2021 final dividend is paid. The Board has recommended a final dividend of 3.9 pence per share taking the total dividend declared for 2021 to 5.6 pence per share which equates to a pay-out of 51% of the post-tax adjusted profit (i.e. based on the current dividend policy) and 53.5% of the post-tax post-interest adjusted profit (i.e. based on the new dividend policy).

Optimisation

The Optimisation programme has delivered further efficiencies and improvements in operational performance for the Group through greater technology utilisation, integration and simplification activity. In 2021, we successfully deployed Phase 1 of our new finance, HR and procurement modules as part of our general ledger consolidation and modernisation activity, with Phase 2 (final) delivery of technical releases and efficiencies in 2022. We continue to consolidate our technology estate and in particular our data centre, telephony and data reporting solutions. In Quilter Financial Planning, the streamlining and improvement in productivity of the business, which will continue in 2022, has delivered cost savings during the year.

The Group delivered £11 million of sustainable cost savings in 2021 against the 2018 cost base, with £15 million of annualised run-rate benefit. With the addition of benefits arising from prior years, the total run-rate delivered is £61 million and associated implementation costs since inception are £81 million. The Optimisation programme remains on track to deliver its target of annualised run-rate cost savings of £65 million by mid-2022, with an anticipated total associated delivery cost of up to £91 million, and includes anticipated governance, support and further severance costs through to completion of the programme.

Business simplification

The business simplification programme is anticipated to reduce operating costs by around £45 million by the end of 2024 on a run-rate basis, with costs to achieve expected to be £55 million. The programme will focus on the decommissioning of our legacy IT estate, efficiencies and automation in our operational areas and simplification of Quilter's structures as we organise ourselves to support our two segments, Affluent and High Net Worth. Implementation of the first tranche of savings is already underway.

Lighthouse DB pension transfer advice provision

As reported in the Group's 2020 Annual Report, a provision has been recognised in relation to a number of complaints received about DB to DC pension transfer advice that was provided by Lighthouse advisers prior to our acquisition of Lighthouse which may have been unsuitable and caused customers to sustain losses, and results to date from the skilled person review into historical DB to DC pension transfer advice provided by Lighthouse prior Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse.

A total provision of £29 million (31 December 2020: £28 million) has been calculated for the potential redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases which are subject to the skilled person review. This includes anticipated costs of legal and professional fees associated with the redress activity. The provision was increased by £7 million during 2021, which has been recognised within expenses of the Group (and excluded from adjusted profit before tax), in order to include the results to date of a review of certain non-British Steel Pension Scheme member advice that is included within the skilled person review. Redress on British Steel Pension Scheme cases of £4 million and professional fees of £2 million have been paid during the year. Subject to FCA confirmation, we anticipate the skilled person review will conclude during 2022.

The final costs of redress will depend on the final number of cases where advice is found to be unsuitable and where customers have suffered losses and will also depend on the specific calculations for each case, to be performed by the skilled person, and are also impacted by market movements and other parameters affecting the defined contribution scheme asset. Final redress costs are therefore exposed to volatility from these movements which may result in final settlement costs varying from the amounts currently provided.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the Group on a continuing basis was £138 million (2020: £108 million).

IFRS accounting standards require £10 million of costs (2020: £17 million), previously reported as part of Quilter International, to be disclosed within continuing operations, as these costs did not transfer to Utmost Group on completion. Adjusted profit before tax is presented both before and after the reallocation of these costs in this announcement. These costs are expected to be incurred in 2022 to provide services to Utmost Group under the Transitional Services Agreement, with corresponding income to cover these costs.

Reconciliation of adjusted profit before tax to IFRS profit/(loss) after tax	For the year ended 31 December 2021			For the year ended 31 December 2020		
£m	Continuing operations	Discontinued operations[1]	Total	Continuing operations	Discontinued operations[1]	Total
High Net Worth	56	-	56	39	-	39
Affluent	111	50	161	105	60	165
Head Office	(29)	-	(29)	(36)	-	(36)
Adjusted profit before tax*	138	50	188	108	60	168
Reallocation of Quilter International costs	(10)	10	-	(17)	17	-
Adjusted profit before tax after reallocation*	128	60	188	91	77	168
Adjusting for the following:						
Impact of acquisition and disposal related accounting	(41)	-	(41)	(42)	-	(42)
Profit on business disposals	2	90	92	-	(1)	(1)
Business transformation costs	(51)	(19)	(70)	(70)	-	(70)
Managed Separation costs	(2)	-	(2)	-	-	-
Finance costs	(10)	-	(10)	(10)	-	(10)
Policyholder tax adjustments	(7)	-	(7)	9	-	9
Customer remediation	(7)	-	(7)	(5)	-	(5)
Total adjusting items before tax	(116)	71	(45)	(118)	(1)	(119)
Profit/(loss) before tax attributable to equity holders*	12	131	143	(27)	76	49
Tax attributable to policyholder returns	73	-	73	36	-	36
Income tax (expense)/credit	(62)	-	(62)	4	(1)	3
Profit/(loss) after tax[2]	23	131	154	13	75	88

[1]Discontinued operations includes the results of Quilter International.
[2]IFRS profit/(loss) after tax.

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 38 in the condensed consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.

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

The profit on business disposals of £92 million (2020: loss of £1 million) includes the recognised profit on disposal of £89 million in relation to the sale of Quilter International to Utmost Group on 30 November 2021.

Business transformation costs of £70 million in 2021 (2020: £70 million) include £28 million (2020: £38 million) incurred on the UK Platform Transformation Programme with total lifetime costs of the programme at £202 million, and £22 million of costs (2020: £33 million) in relation to the Optimisation programme. The £19 million under discontinued operations represents the costs still to be incurred in decommissioning systems required to provide transitional services to Utmost Group and the ongoing management required during the TSA period.

Policyholder tax adjustments were a debit of £7 million for 2021 (2020: credit of £9 million) in relation to the removal of timing differences arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders.

The customer remediation adjustment of £7 million in 2021 relates to a redress provision on advice in Lighthouse as part of the ongoing skilled person review as explained earlier in the Financial review. £5 million recognised in 2020 related solely to the impact of post-acquisition market movements on the British Steel complaints provision relating to Lighthouse.

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 on continuing business of 76% of adjusted profit after tax over 2021 (2020: 78%, restated for continuing business only following the disposal of Quilter International).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £1,030 million at 31 December 2021 (31 December 2020: £1,021 million), representing a Solvency II ratio of 275% (31 December 2020: 217%). The Solvency II information for the year to 31 December 2021 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 £62 million (31 December 2020: £61 million).

Group regulatory capital (£m)	At 31 December 2021[1]	At 31 December 2020[2]
Own funds	**1,617**	1,897
Solvency capital requirement ("SCR")	**587**	876
Solvency II surplus	**1,030**	1,021
Solvency II coverage ratio	**275%**	217%

[1]Filing of annual regulatory reporting forms due 20 May 2022.
[2]As disclosed in the Group Solvency and Financial Condition Report for 2020.

The 58 percentage point increase in the Group Solvency II ratio from the 31 December 2020 position is primarily due to the capital movements associated with the sale of Quilter International, the £197 million share repurchase programme and the net profit recognised in the period. The SCR reduced in 2021 as a consequence of the sale of Quilter International completing on 30 November 2021.

The Board believes that the Group Solvency II surplus includes sufficient free cash and capital to complete all committed strategic investments. Quilter expects to continue to maintain a solvency position significantly in excess of its internal target in the near term as a consequence of the net surplus capital intended to be returned to shareholders arising from the sale of Quilter International.

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. The Board is proposing a capital return of £328 million from the proceeds by way of a B share issue and redemption followed by a share consolidation, subject to regulatory engagement and shareholder approval.

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 2021	At 31 December 2020
Tier 1[1]	**1,412**	1,688
Tier 2[2]	**205**	209
Total Group Solvency II own funds	**1,617**	1,897

[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 February 2018.

The Group SCR is covered by Tier 1 capital, which represents 241% of the Group SCR of £587 million. Tier 1 capital represents 87% of Group Solvency II own funds. Tier 2 capital represents 13% of Group Solvency II own funds and 20% of the Group surplus.

Dividend

The Board has recommended a final dividend of 3.9 pence per share at a total cost of £62 million. Subject to shareholder approval, the recommended final dividend will be paid on 16 May 2022 to shareholders on the UK and South African share registers on 8 April 2022. For shareholders on our South African share register a dividend of 78.25993 South African cents per share will be paid on 16 May 2022, using an exchange rate of 20.06665. This will bring the dividend for the full year to 5.6 pence per share (2020: 4.6 pence per share).

Capital return

The Board is proposing 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 accompanied by a share consolidation, with this subject to regulatory engagement and shareholder approval at a General Meeting on 12 May 2022.

Subject to shareholder approval, B shares will be issued to shareholders on 23 May 2022. The B shares are expected to be redeemed for 20 pence per share on 24 May 2022. For shareholders on our South African share register, the B shares will be redeemed for 401.33300 South African cents per share on 24 May 2022, using an exchange rate of 20.06665, the average rate achieved on 7 and 8 March 2022, the two days immediately preceding the announcement of the capital return.

Holding company cash

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

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

£m	2021	2020
Opening cash at holding companies at 1 January	**517**	815
Single Strategy business sale – (warranty)/deferred consideration	**(2)**	7
Quilter International sale proceeds	**481**	-
Share repurchase and Odd-lot offer	**(197)**	(198)
Costs of disposal	**-**	(24)
Dividends paid	**(89)**	(81)
Net capital movements	**193**	(296)
Head Office costs and Optimisation programme funding	**(74)**	(74)
Interest costs	**(9)**	(9)
Net operational movements	**(83)**	(83)
Cash remittances from subsidiaries	**184**	170
Net capital contributions, loan repayments and investments	**(53)**	(94)
Other net movements	**(2)**	5
Internal capital and strategic investments	**129**	81
Closing cash at holding companies at end of period	**756**	517

Net capital movements

Net capital movements in the year were an inflow of £193 million. This includes £481 million of proceeds from the sale of Quilter International, offset by £197 million relating to the share repurchase programme dividend payments made to shareholders of £61 million in May 2021 and £28 million in September 2021, and £2 million of costs relating to the disposal of the Single Strategy business in line with expectations. The costs associated with the disposal of Quilter International will be incurred, in cash terms, in 2022.

Net operational movements

Net operational movements were an outflow of £83 million for the period and include £74 million of corporate and transformation costs. Interest paid of £9 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility.

Internal capital and strategic investments

The net inflow of £129 million is principally due to £184 million of cash remittances from the trading businesses, partially offset by £53 million of net capital contributions made to support business operational activities, and the Platform Transformation Programme.

Balance sheet

Summary balance sheet (£m)	At 31 December 2021	At 31 December 2020		
	Total Group	Continuing operations	Discontinued operations	Total Group
Assets				
Financial investments	**47,565**	41,670	21,604	63,274
Contract costs	**9**	5	408	413
Cash and cash equivalents	**2,064**	1,782	139	1,921
Goodwill and intangible assets	**457**	504	52	556
Trade, other receivables, and other assets	**381**	430	271	701
Other assets	**264**	309	198	507
Total assets	**50,740**	44,700	22,672	67,372
Equity	**1,739**	1,553	325	1,878
Liabilities				
Investment contract liabilities	**41,071**	35,591	21,816	57,407
Third-party interests in consolidated funds	**6,898**	6,513	-	6,513
Contract liabilities	**-**	1	378	379
Borrowings – subordinated debt	**199**	199	-	199
Lease liabilities	**100**	108	12	120
Trade, other payables, and other liabilities	**484**	543	129	672
Other liabilities	**249**	192	12	204
Total liabilities	**49,001**	43,147	22,347	65,494
Total equity and liabilities	**50,740**	44,700	22,672	67,372

Financial investments excluding the impact of consolidated funds increased by £5,895 million from £41,670 million at 31 December 2020 to £47,565 million at 31 December 2021, due to an increase in net inflows and positive market performance predominantly driven by the recovery in the financial markets in 2021. A corresponding increase is reflected in investment contract liabilities, with the main difference between the two being the impact of consolidated funds, which resulted in a £415 million reduction in financial investments since 31 December 2020 (as a result of certain funds no longer being subject to consolidation at 31 December 2021).

Cash and cash equivalents of £2,064 million increased by £282 million from £1,782 million at 31 December 2020, primarily due to receipt of £481 million of sales proceeds following the sale of Quilter International on 30 November 2021, together with inflows from pre-tax profits partially offset by £197 million cash consideration for the share buyback programme and £89 million of dividend paid.

Goodwill and intangible assets decreased by £47 million since 31 December 2020, principally due to the amortisation of intangible assets.

Principal risks and uncertainties

Effective risk management is key to Quilter delivering on the next phase of its development, as the business focuses on growth and efficiency in its newly defined Affluent and High Net Worth client segments, with increasing digitisation, and a commitment to becoming the responsible wealth manager. Our Enterprise Risk Management Framework is embedded across Quilter, and helps Quilter assess and manage its risk exposures.

Quilter's principal revenue streams are asset value based. During 2021, global equity markets generally performed well following the market falls in 2020 caused by the pandemic. However, consequential impacts including inflationary pressures and an increase in the cost of living could impact customers' ability to invest and therefore investment inflows. More recently the evolving Ukraine crisis is likely to have far reaching social, economic, and political implications, which could impact consumer confidence. The COP 26 Climate Change Conference in November 2021 has further highlighted the need for all firms to play their role in achieving net zero, with Quilter having built its climate obligations into its strategic priorities.

During 2021, Quilter has reduced the complexity of its operations, including through the disinvestment of Quilter International to Utmost Group, realising a strong UK focus for the business, and the completion of a number key technology transformations, including the successful final migration of the Quilter Platform onto FNZ's technology.

Quilter continues to work with the FCA's appointed skilled person to address historic DB to DC pension transfer advice provided by Lighthouse advisers to British Steel Pension Scheme ("BSPS") members and some other pension transfer cases. Quilter is committed to ensuring fair outcomes for impacted customers who have received unsuitable advice and suffered losses, and a provision of £29 million is held in respect of delivering the remediation and redress programme to these customers. Quilter Financial Planning is also undertaking control environment enhancement programme to ensure a strong and modern control infrastructure supports the delivery of suitable financial advice.

Quilter takes its responsibilities to the environment and society seriously, with responsible business at the heart of Quilter's strategy. The Risk taxonomy has been updated to reflect climate risk aspects, and the Risk Function will be placing increased focus on ESG risk management, including ensuring that Quilter is clear on its commitments, and has appropriate arrangements in place to support the achievement of ESG commitments, including playing our part in the drive to net zero emissions.

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

Risk	Summary
Business and strategic risks	
Economic environment	Quilter's principal revenue streams are asset value related and as such Quilter is exposed to the condition of global economic markets. Whilst market conditions generally stabilised during 2021 from the COVID-19 pandemic, the evolving Ukraine crisis is having an impact on the economic environment resulting in short term market volatility. Volatility in debt, equity and currency markets may adversely impact customer investment portfolios which in turn impacts Quilter's ability to generate fee-based revenue.
Business financial performance	While the direct impact of the pandemic on business performance moderated during 2021, consequential impacts including inflationary pressures and an increase in the cost of living could impact customers' ability to invest and therefore investment inflows. The Russian invasion of Ukraine creates increasing economic and political uncertainty which could impact consumer confidence. The potential for tax increases as well as direct inflationary impacts could result in adverse cost impacts for Quilter, acting as headwinds to our performance. Any negative impact on earnings, share price and/or capital position could have a resulting adverse effect on Quilter's market credibility and financial standing.
Strategic delivery	Quilter has embarked on an ambitious strategy focused on growth and efficiency, while increasing digitisation and embedding ESG wherever possible. Achieving this ambition will require the operation of a robust strategic delivery framework, and investment in capabilities. As we are now embarking on our next strategic phase and with the ambitious programme of work needed to deliver it, we are further increasing our focus in this area. Any failure to deliver on the strategic delivery programme, could expose the Group to competitive risks and impact Quilter's franchise value.
Change execution	Quilter continues to be subject to change execution risk given an ongoing programme of material change projects, although the maturing of Quilter's change execution capabilities, and the successful completion of several key projects in 2021, including the Platform Transformation Programme, has reduced the impact of this risk. The effective embedding of new technology and process across Quilter is key for the next phase. Any loss of focus on change execution disciplines could impact the delivery of intended benefits, and risk disruption to continuing operations and the control environment.
Climate strategy	Quilter takes its responsibility to the environment seriously and is determined to play its part in reducing climate impacts. To do this, Quilter must develop and deliver an achievable, coherent, comprehensive and robust long-term climate strategy to manage climate related financial and non-financial risks. Failure to do so would result in Quilter being unable to meet regulatory and other stakeholder expectations and fulfil our strategic priority to become the responsible wealth manager.
Operational and regulatory risks	
Advice	Quilter's financial advice services are subject to fundamental regulatory conduct requirements to assure suitability of advisory recommendations. This risk remains elevated and stable, as Quilter continues to address historic DB to DC transfer advice shortcomings of the acquired Lighthouse Group, as announced by Quilter in 2020. Remediation programmes are ongoing to ensure impacted customers receive fair outcomes and to ensure robustness of the control framework to support the ongoing delivery of suitable advice. Failure to operate effective arrangements to

	support the ongoing delivery of suitable advice could expose Quilter to risks associated with customer detriment, regulatory censure and remediation programmes, with consequential impacts to the Group's business, financial condition and reputation.
Information technology	Quilter's business is dependent on its technology infrastructure and applications to perform necessary business functions. Much of Quilter's legacy technology estate is currently being replaced by cloud-based applications, thereby reducing internal complexity. Nevertheless, a range of legacy applications are still supported, including the technology platform underpinning the disinvested Quilter International business, which will be supported until 2023 under a Transitional Services Agreement. Failure to manage technology risk could have a material adverse impact on Quilter's business, its resilience capabilities, operations, financial condition, and its reputation.
Information security	Quilter's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, some of which is highly sensitive. Quilter and its service providers are subject to the risk of information security breaches from parties with criminal or malicious intent. Should intrusion detection and anti-penetration processes not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on Quilter's customers, business, financial condition, operations and reputation.
People	Quilter relies on its talent to deliver its service to customers. People risk has remained heightened during the pandemic as Quilter's people have adapted to new ways of working during a period of significant change. Delivery of Quilter's ambitious new strategic objectives will require particular skills, including in digital and ESG-related competencies. Failure to attract and retain suitable talent may impact on the delivery of Quilter's strategy and may have an adverse impact on Quilter's business, its financial and operational performance and its delivery of service to customers.
Third party	Quilter procures certain services from third parties, which has increased given the significant business process and technology outsourcing to FNZ and the deployment of multiple new cloud-based technologies. If Quilter does not effectively oversee its third-party providers, they do not perform as anticipated, or Quilter experiences technological or other problems with a third party, Quilter may experience operational difficulties, increased costs and loss of business, potential customer detriment and damage to its reputation.
Operational resilience	Quilter provides important services for its customers, and its ability to maintain these services during unforeseen events is key. The continuing COVID-19 pandemic has provided comfort on Quilter's ability to operate in a severe operational resilience scenario. Any failures in Quilter's preparation for, or response to, sudden disruptions could compromise the maintenance of important business services, resulting in the potential for customer detriment, financial loss, damage to reputation or regulatory sanction.
Regulatory	Quilter is subject to regulation in the UK by the PRA and the FCA, and following the sale of Quilter International, by a now reduced number of other regulators internationally. Additionally, the firm is subject to the privacy regulations enforced by the Information Commissioner's Office and international equivalents. Quilter faces risks associated with compliance with these regulations and to changes in regulations or regulatory focus or interpretation in the markets in which Quilter operates. Failure to manage regulatory compliance effectively could result in regulatory censure, including the possibility of fines or prohibitions which could impact business performance and reputation.

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

Emerging risks

Near term

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

Medium term

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

Longer term

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

Shareholder information

The Quilter Board has agreed to recommend to shareholders the payment of a final dividend of 3.9 pence per share. This will be considered at the Quilter plc Annual General Meeting which will be held on Thursday 12 May 2022. The final dividend will be paid on Monday 16 May 2022 to shareholders on the UK and South African share registers on Friday 8 April 2022.

Dividend Timetable

Dividend announcement in pounds sterling with South Africa ZAR Equivalent	Wednesday 9 March 2022
Last day to trade cum dividend in South Africa	Tuesday 5 April 2022
Shares trade ex-dividend in South Africa	Wednesday 6 April 2022
Shares trade ex-dividend in the UK	Thursday 7 April 2022
Record Date in UK and South Africa	Friday 8 April 2022
Final dividend payment date	Monday 16 May 2022

From the opening of trading on Wednesday 9 March 2022 until the close of business on Wednesday 25 May 2022, no transfers between the London and Johannesburg registers will be permitted. This extended period is to facilitate the B Share Scheme and Share Consolidation. Further details of the B Share Scheme and Share Consolidation have been published in a separate market announcement. Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday 6 April 2022 and Friday 8 April 2022, both dates inclusive.

Additional information

For shareholders on our South African share register a dividend of 78.25993 South African cents per share will be paid on Monday 16 May 2022, based on an exchange rate of 20.06665. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 78.25993 South African cents per share paid to South African shareholders unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 62.60794 South African cents per share. The Company had a total of 1,638,123,085 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.

Share buyback programme

Following the completion of the sale of Quilter Life Assurance to Reassure Group plc for £425 million (and interest income of £21 million), the Board announced that they planned to return the full net surplus sale proceeds (after disposal costs) of £375 million to shareholders by way of a share buyback programme (the ‘Programme’).

Quilter commenced the Programme on the London and Johannesburg Stock Exchanges on 11 March 2020. The Programme was subject to staged regulatory and Board approvals and at completion of the Programme on 27 January 2022, a total of 264.1 million shares had been purchased and cancelled at an average price of 141.97 pence per share.

Supplementary information

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 7. These measures are indicated with an asterisk: *.

For the year ended 31 December 2021

1. Key financial data

2021 full year gross flows, net flows & AuMA (£bn), unaudited	AuMA* as at 31 December 2020	Gross flows* (£m)	Net Flows* (£m)	AuMA* as at 31 December 2021	Of which Quilter solutions AuM as at 31 December 2021
AFFLUENT SEGMENT					
Quilter channel	9.6	2,606	1,830	11.7	7.7
IFA channel	52.8	6,333	1,690	60.0	7.8
Non-core business[1]	1.4	103	(24)	1.5	-
Sub-total (Quilter Platform)	63.8	9,042	3,496	73.2	15.5
Via other platforms					
Quilter channel	4.7	950	203	4.7	5.0
IFA channel	2.4	312	(451)	2.5	2.5
Non-core businesses[1]	2.8	175	(340)	2.7	2.6
Sub-total	9.9	1,437	(588)	9.9	10.1
Total Affluent Segment	**73.7**	**10,479**	**2,908**	**83.1**	**25.6**
HIGH NET WORTH SEGMENT					
Quilter channel	2.1	462	360	2.5	2.5
IFA channel incl. Direct	23.2	2,234	699	26.2	26.2
Total High Net Worth Segment	**25.3**	**2,696**	**1,059**	**28.7**	**28.7**
Quilter plc	**99.0**	**13,175**	**3,967**	**111.8**	**54.3**
AuMA breakdown:					
Affluent administered (Quilter Platform)	63.8	9,042	3,496	73.2	15.5
Affluent managed (Quilter Investors)	23.2	5,293	538	25.6	25.6
HNW managed and administered (Quilter Cheviot)	25.3	2,696	1,059	28.7	28.7
Quilter channel	16.4	4,018	2,393	18.9	15.2
IFA channel	78.4	8,879	1,938	88.7	36.5
Non-core business[1]	4.2	278	(364)	4.2	2.6

[1]Non-core includes lines of business which were disposed but some of the assets continue to be administered by Quilter and their expected outflow over time constitutes a headwind to performance.

2020 full year gross flows, net flows & AuMA (£bn), unaudited	AuMA* as at 31 December 2019	Gross flows* (£m)	Net flows* (£m)	AuMA* as at 31 December 2020	Of which Quilter solutions AuM as at 31 December 2020
AFFLUENT SEGMENT					
Quilter channel	7.4	1,793	1,183	9.6	6.3
IFA channel	49.9	3,888	351	52.8	6.6
Non-core business[1]	1.3	46	(56)	1.4	0.2
Sub-total (Quilter Platform)	58.6	5,727	1,478	63.8	13.1
Via other platforms					
Quilter channel	5.5	1,053	69	4.7	4.8
IFA channel	1.5	342	(292)	2.4	2.4
Non-core businesses[1]	2.6	599	(28)	2.8	2.9
Sub-total	9.6	1,994	(251)	9.9	10.1
Total Affluent Segment	68.2	7,721	1,227	73.7	23.2
HIGH NET WORTH SEGMENT					
Quilter channel	1.7	460	347	2.1	2.1
IFA channel incl. Direct	22.5	1,682	(83)	23.2	23.2
Total High Net Worth Segment	24.2	2,142	264	25.3	25.3
Quilter plc	92.4	9,863	1,491	99.0	48.5
AuMA breakdown:					
Affluent administered (Quilter Platform)	58.6	5,727	1,478	63.8	13.1
Affluent managed (Quilter Investors)	21.6	4,986	284	23.2	23.2
HNW managed and administered (Quilter Cheviot)	24.2	2,142	264	25.3	25.3
Quilter channel	14.6	3,306	1,599	16.4	13.2
IFA channel	73.9	5,912	(24)	78.4	32.2
Non-core business[1]	3.9	645	(84)	4.2	3.1

[1]Non-core includes lines of business which were disposed but some of the assets continue to be administered by Quilter and their expected outflow over time constitutes a headwind to performance.

Estimated asset allocation (%) **Fund profile by investment type, unaudited**	**2021 Total client AuMA**	2020 Total client AuMA
Quilter		
Fixed interest	24%	26%
Equities	67%	65%
Cash	4%	4%
Property and alternatives	5%	5%
Total	**100%**	100%

Total net fee revenue* 2021 (£m)	Quilter Investors	Quilter Financial Planning	Quilter Investment Platform	**Affluent**	Quilter Cheviot	Quilter Private Client Advisers	**High Net Worth**	**Head Office**	**Continuing Operations**
Net management fee*	**127**	**-**	**184**	**311**	**189**	**-**	**189**	**-**	**500**
Other revenue*	**-**	**90**	**5**	**95**	**-**	**23**	**23**	**-**	**118**
Total net fee revenue*	**127**	**90**	**189**	**406**	**189**	**23**	**212**	**-**	**618**

Total net fee revenue* 2020 (£m)	Quilter Investors	Quilter Financial Planning	Quilter Investment Platform	Affluent	Quilter Cheviot	Quilter Private Client Advisers	High Net Worth	Head Office	Continuing Operations
Net management fee*	111	-	167	278	168	**-**	168	-	446
Other revenue*	-	92	-	92	3	22	25	1	118
Total net fee revenue*	111	92	167	370	171	22	193	1	564

1. Affluent

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

Key financial highlights	2021	2020	% change
Quilter Investors			
Net management fees (£m)*	127	111	14%
Other revenue (£m)*	-	-	-
Total net fee revenue	**127**	111	14%
Net inflows (£bn)*	0.5	0.3	67%
Closing AuM (£bn)*	25.6	23.2	10%
Average AuM (£bn)*	24.5	21.0	17%
Revenue margin (bps)*	52	53	(1) bps
Asset retention (%)*	79%	78%	1 pp
Quilter Financial Planning			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	90	92	(2%)
Total net fee revenue*	**90**	92	(2%)
RFPs (#)	1,563	1,765	(11%)
Quilter Investment Platform			
Net management fees (£m)*	184	167	10%
Other revenue (£m)*	5	-	-
Total net fee revenue	**189**	167	13%
Net inflows (£bn)*	3.5	1.5	133%
Closing AuM (£bn)*	73.2	63.8	15%
Average AuM (£bn)*	68.6	57.8	19%
Revenue margin (bps)*	27	29	(2) bps
Asset retention (%)*	91%	93%	(2) pp

2. High Net Worth

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

Key financial highlights	2021	2020	% change
Quilter Cheviot			
Net management fees (£m)*	189	168	13%
Other revenue (£m)*	-	3	(100%)
Total net fee revenue	**189**	171	11%
Net inflows (£bn)*	1.1	0.3	267%
Closing AuM (£bn)*	28.7	25.3	13%
Average AuM (£bn)*	26.8	23.3	15%
Revenue margin (bps)*	71	72	(1) bps
Asset retention (%)*	94%	92%	2 pp
Investment managers (#)*	170	169	1%
Quilter Private Client Advisers			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	23	22	5%
Total net fee revenue*	**23**	22	5%
PCA RFPs (#)	60	77	(22%)

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For the year ended 31 December 2021

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 2021 Annual Report, which will be available on the Company's website on 25 March 2022; 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

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

9 March 2022

Consolidated income statement

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Income			
Fee income and other income from service activities[1]		**666**	585
Investment return[1]		**4,002**	2,856
Other income		**18**	20
Total income		**4,686**	3,461
Expenses			
Change in investment contract liabilities	15	**(3,293)**	(2,272)
Fee and commission expenses, and other acquisition costs[1]		**(61)**	(52)
Change in third-party interest in consolidated funds[1]		**(599)**	(461)
Other operating and administrative expenses		**(636)**	(651)
Finance costs		**(14)**	(16)
Total expenses		**(4,603)**	(3,452)
Profit on sale of subsidiary	4(a)	**2**	-
Profit before tax from continuing operations		**85**	9
Tax expense attributable to policyholder returns	7(a)	**(73)**	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations		**12**	(27)
Income tax (expense)/credit	7(a)	**(62)**	4
Less: tax expense attributable to policyholder returns		**73**	36
Tax credit attributable to equity holders		**11**	40
Profit after tax from continuing operations		**23**	13
Profit after tax from discontinued operations	4(b)	**131**	75
Profit after tax		**154**	88
Attributable to:			
Equity holders of Quilter plc		**154**	88
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic			
From continuing operations (pence)	8(b)	**1.4**	0.8
From discontinued operations (pence)	4(b)	**8.0**	4.2
Basic earnings per Ordinary Share (pence)	8(b)	**9.4**	5.0
Diluted			
From continuing operations (pence)	8(b)	**1.4**	0.8
From discontinued operations (pence)	4(b)	**7.8**	4.1
Diluted earnings per Ordinary Share (pence)	8(b)	**9.2**	4.9

[1] See note 3(c) for details of changes to comparative amounts.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Profit after tax		**154**	88
Exchange losses on translation of foreign operations		**(1)**	-
Items that may be reclassified subsequently to income statement		**(1)**	-
Total other comprehensive income, net of tax		**(1)**	-
Total comprehensive income		**153**	88
Attributable to:			
Continuing operations		**22**	12
Discontinued operations	4(b)	**131**	76
Equity holders of Quilter plc		**153**	88

Consolidated statement of changes in equity

For the year ended 31 December 2021

£m

31 December 2021	Notes	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
Balance at 1 January 2021		**125**	**58**	**8**	**149**	**42**	**1**	**1,495**	**1,878**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**154**	**154**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(1)**	**154**	**153**
Dividends		**-**	**-**	**-**	**-**	**-**	**-**	**(89)**	**(89)**
Shares repurchased in the buyback programme[1]	14	**(9)**	**-**	**9**	**-**	**-**	**-**	**(204)**	**(204)**
Release of merger reserve	14(b)	**-**	**-**	**-**	**(124)**	**-**	**-**	**124**	**-**
Movement in own shares		**-**	**-**	**-**	**-**	**-**	**-**	**(20)**	**(20)**
Equity share-based payment transactions		**-**	**-**	**-**	**-**	**(1)**	**-**	**21**	**20**
Aggregate tax effects of items recognised directly in equity		**-**	**-**	**-**	**-**	**1**	**-**	**-**	**1**
Total transactions with the owners of the Company		**(9)**	**-**	**9**	**(124)**	**-**	**-**	**(168)**	**(292)**
Transfer to retained earnings		**-**	**-**	**-**	**-**	**-**	**(1)**	**1**	**-**
Balance at 31 December 2021		**116**	**58**	**17**	**25**	**42**	**(1)**	**1,482**	**1,739**

31 December 2020	Notes	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
Balance at 1 January 2020		133	58	-	149	45	1	1,685	2,071
Profit for the year		-	-	-	-	-	-	88	88
Total comprehensive income		-	-	-	-	-	-	88	88
Dividends		-	-	-	-	-	-	(81)	(81)
Shares repurchased in the buyback programme[1]	14	(8)	-	8	-	-	-	(179)	(179)
Movement in own shares		-	-	-	-	-	-	(44)	(44)
Equity share-based payment transactions		-	-	-	-	(3)	-	28	25
Dividend equivalents paid on vested shares		-	-	-	-	-	-	(2)	(2)
Total transactions with the owners of the Company		(8)	-	8	-	(3)	-	(278)	(281)
Balance at 31 December 2020		125	58	8	149	42	1	1,495	1,878

[1]On 11 March 2020, the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. During the year ended 31 December 2021, the Company acquired 128.1 million shares (31 December 2020: 118.3 million) for a total consideration of £197 million (December 2020: £153 million) and incurred additional costs of £3 million (31 December 2020: £4 million). The shares, which have a nominal value of £9 million (31 December 2020: £8 million), have subsequently been cancelled, giving rise to a capital redemption reserve by the same value as required by the Companies Act 2006. At 31 December 2021, the committed remaining share buyback for which a legally binding instruction had been provided by the Board, of £26 million (31 December 2020: £22 million, 31 December 2019: £nil), was accrued as a liability. The increase in the liability in the year of £4 million (31 December 2020: £22 million) was recognised in retained earnings.

Consolidated statement of financial position

At 31 December 2021

	Notes	31 December 2021 (£m)	31 December 2020 (£m)
Assets			
Goodwill and intangible assets	9	**457**	556
Property, plant and equipment		**131**	142
Investments in associated undertakings		**2**	1
Contract costs		**9**	413
Loans and advances		**29**	219
Financial investments	10	**47,565**	63,274
Deferred tax assets		**88**	78
Current tax receivable		**-**	24
Trade, other receivables and other assets		**381**	701
Derivative assets		**14**	43
Cash and cash equivalents	13	**2,064**	1,921
Total assets		**50,740**	67,372
Equity and liabilities			
Equity			
Ordinary Share capital	14(a)	**116**	125
Ordinary Share premium reserve	14(a)	**58**	58
Capital redemption reserve	14(a)	**17**	8
Merger reserve	14(b)	**25**	149
Share-based payments reserve		**42**	42
Other reserves		**(1)**	1
Retained earnings		**1,482**	1,495
Total equity		**1,739**	1,878
Liabilities			
Investment contract liabilities	15	**41,071**	57,407
Third-party interests in consolidated funds		**6,898**	6,513
Provisions	16	**93**	77
Deferred tax liabilities		**139**	106
Current tax payable		**2**	1
Borrowings and lease liabilities		**299**	319
Trade, other payables and other liabilities		**484**	672
Contract liabilities		**-**	379
Derivative liabilities		**15**	20
Total liabilities		**49,001**	65,494
Total equity and liabilities		**50,740**	67,372

Approved by the Board of Directors and authorised for issue on 9 March 2022 and signed on its behalf:

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2021

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations) and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in consolidated funds (as shown in note 13). Cash flows for discontinued operations are shown separately in note 4(d).

	Notes	**Year ended 31 December 2021** £m	Year ended 31 December 2020 £m
Cash flows from operating activities			
Cash flows from operating activities		**3,103**	1,473
Taxation paid		**(10)**	(28)
Total net cash from operating activities	13(b)	**3,093**	1,445
Cash flows from investing activities			
Net acquisitions of financial investments		**(2,839)**	(1,419)
Acquisition of property, plant and equipment		**(13)**	(28)
Acquisition of intangible assets	9(a)	**-**	(4)
Acquisition of interests in subsidiaries[1]	4(e)	**(7)**	(20)
Net proceeds/(payments) from the disposal of interests in subsidiaries		**218**	(3)
Total net cash used in investing activities		**(2,641)**	(1,474)
Cash flows from financing activities			
Dividends paid to ordinary equity holders of the Company		**(89)**	(81)
Finance costs on external borrowings		**(9)**	(10)
Payment of interest on lease liabilities		**(2)**	(2)
Payment of principal of lease liabilities		**(10)**	(14)
Repurchase of shares		**-**	(41)
Repurchase and cancellation of shares[2]		**(197)**	(157)
Total net cash used in financing activities		**(307)**	(305)
Net increase/(decrease) in cash and cash equivalents		**145**	(334)
Cash and cash equivalents at the beginning of the year		**1,921**	2,253
Effect of exchange rate changes on cash and cash equivalents		**(2)**	2
Cash and cash equivalents at end of the year	13	**2,064**	1,921

[1]The acquisition of interests in subsidiaries balance of £7 million results from contingent consideration payments relating to historical acquisitions (31 December 2020: £20 million).

[2]Repurchase and cancellation of shares are in respect of cash movements associated with the share buyback programme. Further details are included within the consolidated statement of changes in equity.

Basis of preparation

For the year ended 31 December 2021

General information

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

The address of the registered office is Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

1: Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Quilter plc transitioned to UK-adopted International Accounting Standards in its company and Group financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The financial statements of Quilter plc for the year ended 31 December 2021 have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") 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, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

Going concern

The Directors have considered the resilience of the Group, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2021 financial statements. This assessment incorporated a number of stress tests covering a broad range of scenarios, including economic and market shocks of up to 40% falls in equity markets, mass lapse events, new business growth scenarios and severe business interruption, equivalent to 1-in-50 and 1-in-200 year events. The Group took into consideration risks related to climate change as part of the assessment. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and has 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 financial statements.

Critical accounting estimates and judgements

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

Critical accounting judgements

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

Discontinued operations

Management judgement was applied in the classification of Quilter International (disposed in November 2021) as a discontinued operation. Management concluded that Quilter International represented a separate major line of business, being the Group's only major cross-border business and, as such, met the discontinued operations criteria. Accordingly, the Group restated prior year comparatives. Judgement was also applied in the recognition of specific ongoing costs to the Group's continuing operations that will remain in the business after the disposal of Quilter International. See note 4 for further details.

Recognition of provisions following the sale of Quilter International

Management exercised significant judgement in determining the accounting treatment for a number of provisions in respect of the sale of Quilter International. The sale requires a series of business activities to be performed over the period of two to three years subsequent to the sale, resulting in costs to separate the business from the Group. This includes separation from a significant number of IT systems and the migration of data. Provisions have been established where costs are either contractual obligations resulting from the sale agreement or represent a constructive liability in respect of ancillary work to separate the businesses. 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 note168 for further details.

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

For Lighthouse DB to DC pension transfer advice provided, management has applied judgement in order to determine whether an asset can be reasonably estimated, and the measurement of such asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). Under the PI Policies, Lighthouse is entitled, subject to the policy terms and limits, to be indemnified for claims and defence costs in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities; however, at the current time the insurers have not confirmed coverage for legal liabilities. See note 16 for further details.

Critical accounting estimates

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

Provision for cost of defined benefit pension advice

A significant portion of the provision required for British Steel DB pension transfer redress was determined based upon calculations performed as part of the skilled person review for cases upheld, and subsequent formal offers of redress payments made. An estimation of the remainder of the provision required for cases where a formal offer has yet to be made was based upon those calculations and the suitability assessments of all cases performed by the skilled person, which are nearing completion. The calculations per case where an offer has been made are based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and inflation rate assumptions.

Basis of preparation and significant accounting policies

For the year ended 31 December 2021

1: Basis of preparation *continued*

An estimation was determined on a similar basis for unsuitable pension advice related to schemes other than the British Steel Pension Scheme, using a methodology which takes account of recent experience and applying a proportion of transfer value to determine redress payable as an indicative provision. See note 16 for further details.

Measurement of deferred tax

The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of AuMA, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses recoverability based on estimated taxable profits over a three-year planning horizon. Management has reassessed the sensitivity on 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 flow, revenue margins, and future expenses and discount rates (see note 9). Management does not believe 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

There were no new standards or interpretations which became effective from 1 January 2021.

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

Adopted by the Group from	Amendments to standards
1 January 2021	Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance Contracts and* IFRS 16 *Leases - Interest Rate Benchmark Reform – Phase 2*
1 April 2021	Amendments to IFRS 16 *Leases* – *COVID-19-Related Rent Concessions beyond 30 June 2021*

3: Significant changes in the year

3(a): Disposal of Quilter International

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. Quilter International has been classified as a discontinued operation and the comparative amounts in the Group's financial statements have been restated accordingly. Further details of the Group's discontinued operations and assets and liabilities disposed of are included in note 4.

3(b): New segmentation

The Group determines and presents operating segments based on the information that is provided internally to the Group's Chief Operating Decision Maker ("CODM"). In assessing the Group's operating segments, the CODM considered the nature of the services provided, product offerings, customer bases, operating and distribution channels amongst other factors.

As part of the Group's strategic ambitions to drive growth, and following the disposal of Quilter International, the CODM agreed to reorganise the Group into two new client-focused segments: Affluent and High Net Worth. Affluent encompasses the financial planning businesses, Quilter Financial Planning, the Quilter Investment Platform and Quilter Investors, the multi-asset investment solutions business. High Net Worth includes the discretionary fund management business, Quilter Cheviot, together with Quilter Private Client Advisers. The new segments replace the segments reported in the 2020 Annual Report: Advice and Wealth Management and Wealth Platforms. Comparatives have been restated as appropriate to reflect the new segmentation.

3(c): Changes to comparative amounts

Changes to comparative amounts have been made in respect of consolidated investment funds and fund-based fees. The comparative figures for the year ended 31 December 2020 have been restated accordingly in the Income Statement and related notes in order to satisfy the presentational requirements of IFRS with respect to revenue and expenditure. The changes are explained below, with no impact to the Group's profit, equity or alternative performance measures.

3(c)(i): Consolidated investment funds

For the year ended 31 December 2020, to correct an understatement of revenue and expenditure in respect of third-party interests in consolidated funds, the Group has increased investment return from consolidated funds by £21 million with a corresponding £21 million increase in the change in third-party interests in consolidated funds expense. The understatement arose due to an omission in information provided by an external party.

3(c)(ii): Fund-based fees

This is periodic fee income based on the market valuation of the Group's investment contracts. It is calculated and recognised on a daily basis in line with the provision of investment management services.

For the year ended 31 December 2020, to correct a misclassification of fee rebates, the Group has reduced Fee and commission expenses, and other acquisition costs by £9 million with a corresponding £9 million reduction in Fee income and other income from service activities.

4: Business combinations

4(a): Business disposals

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. The Group has recognised a profit on disposal of £89 million. Provisions established in respect of this disposal are shown in note 16. Separation, migration and decommissioning expenses incurred as a result of the disposal of £19 million are included within Other operating and administrative expenses in the discontinued operations income statement.

Profit/(loss) on sale of operations

		£m
	Year ended 31 December 2021	Year ended 31 December 2020
	Quilter International and Single Strategy business	Quilter Life Assurance and Single Strategy business
Consideration received	**481**	-
Less: transaction costs	**(17)**	-
Net proceeds from sale	**464**	-
Carrying value of net assets disposed of	**(324)**	-
Goodwill allocated and disposed of	**(50)**	-
Recycling of foreign currency translation reserve	**(1)**	-
Profit on sale of Quilter International	**89**	
Change in accrued expenses in relation to the Single Strategy business (sold in 2018) and QLA (sold in 2019)	**1**	(1)
Profit/(loss) on sale of operations before tax	**90**	**(1)**
Separation, migration and decommissioning costs	**(19)**	-
Profit/(loss) on disposal after separation, migration and decommissioning costs	**71**	(1)

In 2021, the Group also sold LighthouseCarrwood Limited generating a profit of £2 million which is not reflected in the table above as the former subsidiary's activities did not represent a major line of business and therefore is regarded as being part of the Group's continuing operations.

Carrying value of net assets disposed of

	£m
	At 30 November 2021
	Quilter International
Assets	
Intangible assets	**2**
Property, plant and equipment	**11**
Contract costs	**383**
Loans and advances	**175**
Financial investments	**23,836**
Trade, other receivables and other assets	**228**
Cash and cash equivalents	**253**
Total assets	**24,888**
Liabilities	
Investment contract liabilities	**24,058**
Provisions	**2**
Deferred tax liabilities	**2**
Current tax payable	**1**
Borrowings and lease liabilities	**11**
Trade, other payables and other liabilities	**114**
Contract liabilities	**376**
Total liabilities	**24,564**
Carrying value of net assets disposed	**324**

Notes to the condensed consolidated financial statements

For the year ended 31 December 2021

4: Discontinued operations *continued*

4(b): Discontinued operations – income statement

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

	Notes	£m **Year ended 31 December 2021**	Year ended 31 December 2020
Income			
Gross earned premiums		**1**	1
Premiums ceded to reinsurers		**(1)**	(1)
Net earned premiums		**-**	-
Fee income and other income from service activities		**169**	206
Investment return		**1,816**	1,061
Other income		**1**	-
Total income		**1,986**	1,267
Expenses			
Change in investment contract liabilities	15	**(1,818)**	(1,056)
Fee and commission expenses, and other acquisition costs		**(72)**	(91)
Other operating and administrative expenses		**(55)**	(42)
Finance costs		**-**	(1)
Total expenses		**(1,945)**	(1,190)
Profit/(loss) on sale of operations before tax[1]	4(a)	**90**	(1)
Profit before tax attributable to equity holders from discontinued operations		**131**	76
Tax expense attributable to equity holders	7(a)	**-**	(1)
Profit after tax from discontinued operations		**131**	75
Attributable to:			
Equity holders of Quilter plc		**131**	75

Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic - from discontinued operations (pence)	8(b)	**8.0**	4.2
Diluted - from discontinued operations (pence)	8(b)	**7.8**	4.1

[1]Loss on sale of operations before tax in the prior year relates to transaction and separation costs associated with the historical sales of the QLA and Single Strategy businesses.

£10 million of Other operating and administrative expenses (31 December 2020: £17 million) previously reported in Quilter International are now presented within continuing operations, as costs of this nature did not transfer to Utmost Group (the acquirer) on disposal.

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

	£m **Year ended 31 December 2021**	Year ended 31 December 2020
Profit after tax	**131**	75
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign operations	**-**	1
Total comprehensive income from discontinued operations	**131**	76

4(d): Discontinued operations - net cash flows

	£m **Year ended 31 December 2021**	Year ended 31 December 2020
Total net cash flows from operating activities	**276**	126
Total net cash used in investing activities	**(411)**	(87)
Total net cash used in financing activities	**(2)**	(24)
Net (decrease)/increase in cash and cash equivalents	**(137)**	15

4: Business acquisitions *continued*

4(e): Business acquisitions

There have been no material acquisitions during the year ended 31 December 2021 or the year ended 31 December 2020.

Contingent consideration arising from historical business acquisitions:

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

	31 December 2021	31 December 2020
		£m
Opening balance	**16**	39
Payments	**(7)**	(20)
Financing interest charge	**1**	2
Unused amounts reversed and other movements	**(5)**	(5)
Closing balance	**5**	16

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

5: Alternative performance measures ("APMs")

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

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

		Year ended 31 December 2021			Year ended 31 December 2020		£m
	Notes	**Continuing operations**	**Discontinued operations[1]**	**Total**	Continuing operations	Discontinued operations[1]	Total
Affluent		**111**	**50**	**161**	105	60	165
High Net Worth		**56**	**-**	**56**	39	-	39
Head Office		**(29)**	**-**	**(29)**	(36)	-	(36)
Adjusted profit before tax		**138**	**50**	**188**	108	60	168
Reallocation of Quilter International costs	4(b)	**(10)**	**10**	**-**	(17)	17	-
Adjusted profit before tax after reallocation	6(b)	**128**	**60**	**188**	91	77	168
Adjusting items:							
Impact of acquisition and disposal related accounting	5(b)(i)	**(41)**	**-**	**(41)**	(42)	-	(42)
Profit/(loss) on business disposals	4(a)	**2**	**90**	**92**	-	(1)	(1)
Business transformation costs	5(b)(ii)	**(51)**	**(19)**	**(70)**	(70)	-	(70)
Managed separation costs	5(b)(iii)	**(2)**	**-**	**(2)**	-	-	-
Finance costs	5(b)(iv)	**(10)**	**-**	**(10)**	(10)	-	(10)
Policyholder tax adjustments	5(b)(v)	**(7)**	**-**	**(7)**	9	-	9
Customer remediation	5(b)(vi)	**(7)**	**-**	**(7)**	(5)	-	(5)
Total adjusting items before tax		**(116)**	**71**	**(45)**	(118)	(1)	(119)
Profit/(loss) before tax attributable to equity holders		**12**	**131**	**143**	(27)	76	49
Tax attributable to policyholder returns	7(a)	**73**	**-**	**73**	36	-	36
Income tax (expense)/credit	7(a,b)	**(62)**	**-**	**(62)**	4	(1)	3
Profit after tax[2]		**23**	**131**	**154**	13	75	88

[1]Discontinued operations includes the results of Quilter International.
[2]IFRS profit after tax.

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

5: Alternative performance measures ("APMs") *continued*
5(b): Adjusting items *continued*

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

	Note	**Year ended 31 December 2021** £m	Year ended 31 December 2020 £m
Amortisation of other acquired intangible assets	9	**45**	45
Fair value gains on revaluation of contingent consideration		**(5)**	(4)
Acquisition and disposal related income[1]		**-**	(1)
Unwinding of discount on contingent consideration		**1**	2
Total impact of acquisition and disposal related accounting		**41**	42

[1]Acquisition and disposal related income in the year ended 31 December 2020 includes a £1 million credit for the acceleration of the discounting unwind following settlement of a loan receivable from TA Associates that related to deferred consideration arising from the sale of the Single Strategy Asset Management business.

5(b)(ii): Business transformation costs

Business transformation costs include three key items: costs associated with the UK Platform Transformation Programme; Optimisation programme costs and business separation costs following disposal of Quilter International. For the year ended 31 December 2021, these costs totalled £70 million (31 December 2020: £70 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 31 December 2021: £28 million, 31 December 2020: £38 million

The Platform Transformation Programme commenced in 2017 to replace our UK Platform, significantly upgrading its functionality as well as ensuring its underlying technology was brought up to modern standards, making it highly resilient and scalable to support business growth for the foreseeable future. The last of three phased migrations completed successfully in February 2021 with all Quilter Investment Platform assets now live on the new platform. The total lifetime costs of the programme are £202 million to 31 December 2021, and no further costs are expected.

Optimisation Programme costs – 31 December 2021: £22 million, 31 December 2020: £33 million

The Optimisation programme commenced in 2018 to provide closer business integration, creating central support, rationalising technology and reducing third-party spend. It is due to be largely complete by mid-2022. Since inception, the programme has delivered £61 million of run-rate cost savings with associated implementation costs of £81 million during this time, with the overall target of £65 million of run-rate benefits and associated delivery cost of up to £91 million.

During 2021, the Group successfully deployed the new finance, HR and procurement modules as part of our general ledger consolidation and modernisation activity. The Group continues to consolidate its technology estate and in particular the data centre, telephony and data reporting solutions. In Quilter Financial Planning the streamlining and improvement in productivity of the business has delivered cost savings during the year.

Business separation costs following disposal of Quilter International – 31 December 2021: £19 million, 31 December 2020: £nil

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

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work has taken place during 2021 in preparation for migration. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of its past experience of previous IT migrations following business disposals, including the recent migration of QLA.

Quilter Investors' build out costs – 31 December 2021: £nil, 31 December 2020: £(1) million

The Group incurred build out costs to develop Quilter Investors as a separate business distinct from the Single Strategy business, which was sold on 29 June 2018. The build was substantially completed in 2019, resulting in the release of the remaining £1 million of the provision during 2020 which was established to complete the build.

Restructuring costs following disposal of Quilter Life Assurance – 31 December 2021: £1 million, 31 December 2020: £nil

Following the disposal of Quilter Life Assurance on 31 December 2019, the Group recognised £1 million for the cost of decommissioning IT systems as the Transitional Service Agreement with ReAssure runs off.

5(b)(iii): Managed separation costs

For the year ended 31 December 2021, these costs were £2 million (31 December 2020: £nil) and relate to further rebranding of the Quilter business. These one-off costs relating to the Group's separation from Old Mutual have been excluded from adjusted profit on the basis that they relate to a fundamental restructuring of the Group and are not representative of the operating activity of the Group.

5(b)(iv): Finance costs

The nature of much of the Group's operations means that, for management's decision-making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the year ended 31 December 2021, finance costs were £10 million (31 December 2020: £10 million).

5: Alternative performance measures ("APMs") *continued*
5(b): Adjusting items *continued*

5(b)(v): Policyholder tax adjustments

For the year ended 31 December 2021, the total policyholder tax adjustments to adjusted profit is £(7) million (31 December 2020: £9 million). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders. For a further explanation of the impact of markets on the policyholder tax charge see note 7(a). Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

5(b)(vi): Customer remediation

Lighthouse pension transfer advice provision – 31 December 2021: £7 million, 31 December 2020: £5 million

The provision for the potential redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases has been increased by £7 million in the year, which has been recognised in the income statement (31 December 2020: £5 million). This increase reflects the impact of post-acquisition market and discount rate movements, together with further consideration of the cases where redress is potentially payable, as part of the ongoing skilled person review. This has been excluded from adjusted profit on the basis that the advice activities to which the charge relates was provided prior to the Group's acquisition of the business. Further details of the provision are provided in note 16.

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

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

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

Notes to the condensed consolidated financial statements

For the year ended 31 December 2021

5: Alternative performance measures ("APMs") *continued*

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

Year ended 31 December 2020	Net mgmt. fees[1]	Other revenue[1]	Total net fee revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2]	Consolidated income statement £m
Income							
Fee income and other income from service activities[3]	552	113	665	-	665	(80)	585
Investment return[3]	-	2,279	2,279	-	2,279	577	2,856
Other income	-	2	2	14	16	4	20
Total income	552	2,394	2,946	14	2,960	501	3,461
Expenses							
Change in investment contract liabilities	-	(2,272)	(2,272)	-	(2,272)	-	(2,272)
Fee and commission expenses, and other acquisition costs[3]	(48)	(1)	(49)	-	(49)	(3)	(52)
Change in third-party interest in consolidated funds[3]	-	-	-	-	-	(461)	(461)
Other operating and administrative expenses	(13)	(3)	(16)	(598)	(614)	(37)	(651)
Finance costs	-	-	-	(16)	(16)	-	(16)
Total expenses	(61)	(2,276)	(2,337)	(614)	(2,951)	(501)	(3,452)
Tax expense attributable to policyholder returns	(36)	-	(36)	-	(36)	-	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations	455	118	573	(600)	(27)	-	(27)
Adjusting items:							
Impact of acquisition and disposal related accounting	-	-	-	42	42		
Business transformation costs	-	-	-	70	70		
Finance costs	-	-	-	10	10		
Policyholder tax adjustments	(9)	-	(9)	-	(9)		
Customer remediation	-	-	-	5	5		
Adjusting items	(9)	-	(9)	127	118		
Adjusted profit before tax after reallocation	446	118	564	(473)	91		
Reallocation of Quilter International costs[4]	-	-	-	17	17		
Adjusted profit before tax - continuing operations	446	118	564	(456)	108		

[1]The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial review.
[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a). This grossing up is excluded from the Group's adjusted profit.
[3]See note 3(c) for details of changes to comparative amounts.
[4]See note 4(b) for details of cost reallocations.

6: Segmental information

6(a): Segmental presentation

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

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

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

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

Continuing operations:

High Net Worth

This segment comprises Quilter Cheviot and Quilter Private Client Advisers.

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

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

Affluent

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

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

6: Segmental information *continued*
6(a): Segmental presentation *continued*

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

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

Head Office

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

Discontinued operations:

Quilter International, which would have formed part of the Affluent operating segment, has been classified as a discontinued operation following the Group's announcement on 1 April 2021 of the disposal of the business and subsequent disposal on 30 November 2021. See note 4 for full details. Comparative amounts for the year ended 31 December 2020 have been restated accordingly.

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

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

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

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

[1]See note 4(b) for details of cost reallocations.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

6: Segmental information *continued*

6(b)(ii): Adjusted profit statement - segmental information for the year ended 31 December 2020

£m

	Notes	Operating segments: Affluent	Operating segments: High Net Worth	Head Office	Reallocation of Quilter International costs[1]	Consolidation adjustments[2]	Consolidated income statement
Income							
Fee income and other income from service activities[3]		476	190	-	-	(81)	585
Investment return		2,275	3	1	-	577	2,856
Other income		118	4	5	-	(107)	20
Segmental income		2,869	197	6	-	389	3,461
Expenses							
Change in investment contract liabilities		(2,272)	-	-	-	-	(2,272)
Fee and commission expenses, and other acquisition costs[3]		(50)	-	-	-	(2)	(52)
Change in third-party interest in consolidated funds[3]		-	-	-	-	(461)	(461)
Other operating and administrative expenses		(446)	(191)	(71)	(17)	74	(651)
Finance costs		(5)	(1)	(10)	-	-	(16)
Segmental expenses		(2,773)	(192)	(81)	(17)	(389)	(3,452)
Profit/(loss) before tax from continuing operations		96	5	(75)	(17)	-	9
Tax expense attributable to policyholder returns		(36)	-	-	-	-	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations		60	5	(75)	(17)	-	(27)
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	5(b)(i)	10	34	(2)	-	-	42
Business transformation costs	5(b)(ii)	39	-	31	-	-	70
Finance costs	5(b)(iv)	-	-	10	-	-	10
Policyholder tax adjustments	5(b)(v)	(9)	-	-	-	-	(9)
Customer remediation	5(b)(vi)	5	-	-	-	-	5
Adjusting items before tax		45	34	39	-	-	118
Adjusted profit/(loss) before tax after reallocation		105	39	(36)	(17)	-	91
Reallocation of Quilter International costs	4(b)	-	-	-	17	-	17
Adjusted profit/(loss) before tax - continuing operations		105	39	(36)	-	-	108

[1]See note 4(b) for details of cost reallocations.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[3]See note 3(c) for details of changes to comparative amounts.

6: Segmental information *continued*

6(c): Breakdown of income

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

					£m	£m
Year ended 31 December 2021	**Affluent**	**High Net Worth**	**Head Office**	**Consolidation adjustments**	**Total continuing operations**	**Discontinued operations**
Premium-based fees	**87**	**24**	**-**	**-**	**111**	**45**
Fund-based fees[1]	**376**	**189**	**-**	**(79)**	**486**	**81**
Retrocessions received, intra-group	**-**	**-**	**-**	**-**	**-**	**6**
Fixed fees	**2**	**-**	**-**	**-**	**2**	**26**
Exit fees	**-**	**-**	**-**	**-**	**-**	**11**
Other fee and commission income	**67**	**-**	**-**	**-**	**67**	**-**
Fee income and other income from service activities	**532**	**213**	**-**	**(79)**	**666**	**169**
Investment return	**3,293**	**-**	**1**	**708**	**4,002**	**1,816**
Other income	**110**	**-**	**-**	**(92)**	**18**	**1**
Total income	**3,935**	**213**	**1**	**537**	**4,686**	**1,986**

					£m	£m
Year ended 31 December 2020	Affluent	High Net Worth	Head Office	Consolidation adjustments	Total continuing operations	Discontinued operations
Premium-based fees	90	22	-	-	112	70
Fund-based fees[1,2]	334	168	-	(94)	408	88
Retrocessions received, intra-group	-	-	-	-	-	6
Fixed fees	2	-	-	-	2	29
Exit fees	-	-	-	-	-	13
Other fee and commission income	50	-	-	13	63	-
Fee income and other income from service activities	476	190	-	(81)	585	206
Investment return[2]	2,275	3	1	577	2,856	1,061
Other income	118	4	5	(107)	20	-
Total income	2,869	197	6	389	3,461	1,267

[1]Income from fiduciary activities is included within fund-based fees.
[2]See note 3(c) for details of changes to comparative amounts.

7: Tax

7(a): Tax charged to the income statement

	Note	£m	
		Year ended 31 December 2021	Year ended 31 December 2020
Current tax			
United Kingdom		**36**	18
Overseas tax		**1**	3
Adjustments to current tax in respect of prior periods		**-**	(7)
Total current tax charge		**37**	14
Deferred tax			
Origination and reversal of temporary differences		**36**	(22)
Effect on deferred tax of changes in tax rates		**(12)**	-
Adjustments to deferred tax in respect of prior periods		**1**	4
Total deferred tax charge/(credit)		**25**	(18)
Total tax charged/(credited) to income statement - continuing operations		**62**	(4)
Total tax charged to income statement - discontinued operations	4(b)	**-**	1
Total tax charged/(credited) to income statement		**62**	(3)
Attributable to policyholder returns - continuing operations		**73**	36
Attributable to equity holders - continuing operations		**(11)**	(40)
Total tax charged/(credited) to income statement - continuing operations		**62**	(4)
Attributable to equity holders - discontinued operations		**-**	1
Total tax charged to income statement - discontinued operations		**-**	1
Total tax charged/(credited) to income statement		**62**	(3)

7: Tax *continued*

7(a): Tax charged to the income statement *continued*

Policyholder tax

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

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

The Group's income tax charge on continuing operations was £62 million for the year ended 31 December 2021, compared to a credit of £(4) million for the prior year. This income tax expense/credit can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility in the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 5(b)(v).

Market movements during the year ended 31 December 2021 resulted in investment gains of £343 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £4,002 million shown in the income statement. The impact of the £343 million investment return gain is the primary reason for the £73 million tax expense attributable to policyholder returns in respect of the continuing operations for the year ended 31 December 2021 (31 December 2020: £36 million expense in respect of continuing operations and £nil expense in respect of discontinued operations).

Impact of changes in UK corporation tax rate

On 3 March 2021, the Chancellor of the Exchequer announced in the Budget a future increase in the Corporation Tax rate from 19% to 25%, effective from 1 April 2023. This change has been substantially enacted by 31 December 2021 resulting in rebasing of deferred tax assets and liabilities.

The £11 million tax credit attributable to equity holders (continuing operations) includes a tax credit of £12 million relating to the change in the UK corporation tax rate and a tax credit of £4 million in relation to first time recognition of trade losses (31 December 2020: £38 million credit in relation to first time recognition of accrued interest expense).

7(b): Reconciliation of total income tax expense

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

	Note	**Year ended 31 December 2021** £m	Year ended 31 December 2020 £m
Profit before tax from continuing operations		**85**	9
Tax at UK standard rate of 19% (2020: 19%)		**16**	2
Different tax rate or basis on overseas operations		**1**	4
Untaxed and low taxed income		**-**	(1)
Expenses not deductible for tax		**-**	2
Adjustments to current tax in respect of prior years		**-**	(7)
Net movements on unrecognised deferred tax assets		**(4)**	(38)
Effect on deferred tax of changes in tax rates		**(12)**	-
Adjustments to deferred tax in respect of prior years		**1**	4
Income tax attributable to policyholder returns (net of tax relief)		**60**	30
Total tax charged/(credited) to income statement - continuing operations		**62**	(4)
Total tax charged to income statement - discontinued operations	4(b)	**-**	1
Total tax charged/(credited) to income statement		**62**	(3)

7: Tax *continued*

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

	Note	£m Year ended 31 December 2021	Year ended 31 December 2020
Income tax expense/(credit) on continuing operations[1]		**62**	(4)
Tax on adjusting items			
Impact of acquisition and disposal related accounting		**4**	3
Business transformation costs		**10**	13
Finance costs		**2**	2
Customer remediation		**1**	1
Tax adjusting items			
Policyholder tax adjustments	5(b)(v)	**(7)**	9
Other shareholder tax adjustments[2]		**7**	36
Tax on adjusting items - continuing operations		**17**	64
Less: tax attributable to policyholder returns within adjusted profit - continuing operations[3]		**(66)**	(45)
Tax credited on adjusted profit - continuing operations		**13**	15
Tax charged on adjusted profit - discontinued operations		**-**	1
Tax charged on total adjusted profit		**13**	16

[1]Includes both tax attributable to policyholders and equity holders, in compliance with IFRS reporting.
[2]Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 5(b)(v) and shareholder tax adjustments for one-off items in line with the Group's adjusted profit policy.
[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 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. The Group's EPS (in aggregate, including both continuing and discontinued operations) on these different bases are summarised below.

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

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

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

	Source of guidance	Notes	Pence Year ended 31 December 2021	Year ended 31 December 2020
Basic earnings per share	IFRS	8(b)	**9.4**	5.0
Diluted basic earnings per share	IFRS	8(b)	**9.2**	4.9
Adjusted basic earnings per share	Group policy	8(b)	**10.7**	8.6
Adjusted diluted earnings per share	Group policy	8(b)	**10.4**	8.5
Headline basic earnings per share (net of tax)	JSE Listing Requirements	8(c)	**3.9**	5.2
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	8(c)	**3.8**	5.1

8(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit). Details of the impact on the number of shares from the Quilter share buyback scheme are detailed in note 14.

	Millions Year ended 31 December 2021	Year ended 31 December 2020
Weighted average number of Ordinary Shares	**1,721**	1,842
Own shares including those held in EBTs	**(77)**	(82)
Basic weighted average number of Ordinary Shares	**1,644**	1,760
Adjustment for dilutive share awards and options	**39**	37
Diluted weighted average number of Ordinary Shares	**1,683**	1,797

8: Earnings per share *continued*

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

	Notes	**Year ended 31 December 2021**			Year ended 31 December 2020		£m
		Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Profit after tax		**23**	**131**	**154**	13	75	88
Total adjusting items before tax	5(a)	**116**	**(71)**	**45**	118	1	119
Tax on adjusting items	7(c)	**(17)**	**-**	**(17)**	(64)	-	(64)
Less: Policyholder tax adjustments	7(c)	**(7)**	**-**	**(7)**	9	-	9
Adjusted profit after tax after reallocation		**115**	**60**	**175**	76	76	152
Reversal of:							
Reallocation of Quilter International costs[1]		**10**	**(10)**	**-**	17	(17)	-
Adjusted profit after tax		**125**	**50**	**175**	93	59	152

[1]Reallocation of Quilter International costs includes £10 million of costs (31 December 2020: £17 million) previously reported as part of Quilter International which are presented within continuing operations as these costs did not transfer to Utmost Group (the acquirer) on disposal. Adjusted profit is presented both before and after the reallocation of these costs. See note 4(b) for additional details.

	Post-tax profit measure used	**Year ended 31 December 2021**			Year ended 31 December 2020		
		Continuing operations Pence	**Discontinued operations Pence**	**Total Pence**	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic EPS	IFRS profit	**1.4**	**8.0**	**9.4**	0.8	4.2	5.0
Diluted EPS	IFRS profit	**1.4**	**7.8**	**9.2**	0.8	4.1	4.9
Adjusted basic EPS	Adjusted profit	**7.6**	**3.1**	**10.7**	5.3	3.3	8.6
Adjusted diluted EPS	Adjusted profit	**7.4**	**3.0**	**10.4**	5.2	3.3	8.5

8(c): Headline earnings per share

	Note	**Year ended 31 December 2021**		Year ended 31 December 2020	£m
		Gross	**Net of tax**	Gross	Net of tax
Profit attributable to ordinary equity holders			**154**		88
Adjusted for:					
Profit/(loss) on sale of operations	4(a)	**(90)**	**(90)**	1	1
Impairment loss on right-of-use assets		**-**	**-**	3	2
Headline earnings			**64**		91
Headline basic EPS (pence)			**3.9**		5.2
Headline diluted EPS (pence)			**3.8**		5.1

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 2020	350	101	428	879
Acquisitions through business combinations	6	-	1	7
Additions	-	4	-	4
31 December 2020	356	105	429	890
Disposal of interests in subsidiaries	(50)	-	(4)	(54)
Disposals[1]	-	(65)	-	(65)
31 December 2021	**306**	**40**	**425**	**771**
Amortisation and impairment losses				
1 January 2020	-	(93)	(194)	(287)
Amortisation charge for the year	-	(2)	(45)	(47)
31 December 2020	-	(95)	(239)	(334)
Amortisation charge for the year	-	(2)	(45)	(47)
Disposal of interests in subsidiaries	-	-	2	2
Disposals[1]	-	65	-	65
31 December 2021	**-**	**(32)**	**(282)**	**(314)**
Carrying amount				
31 December 2020	356	10	190	556
31 December 2021	**306**	**8**	**143**	**457**

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

9(b): Analysis of other intangible assets

	£m			
	31 December 2021	31 December 2020	Average estimated useful life	Average period remaining
Net carrying value				
Distribution channels - Quilter Financial Planning	**9**	15	8 years	2 years
Customer relationships				
Quilter Cheviot	**86**	114	10 years	3 years
Quilter Financial Planning	**27**	31	8 years	5 years
Quilter Private Client Advisers	**18**	23	8 years	5 years
Other	**3**	7	8 years	2 years
Total other intangible assets	**143**	190		

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, as disclosed in note 6(a). Both operating segments represent a group of CGUs. The allocation of goodwill to these segments was based on their individual value-in-use calculations relative to the combined total.

	£m
	31 December 2021[1]
Goodwill (net carrying amount)	
Affluent	**225**
High Net Worth	**81**
Total goodwill	**306**

[1]At 31 December 2020, the goodwill was allocated to the Group's previous segments Advice and Wealth Management and Wealth Platforms.

Goodwill of £50 million was included in the Quilter International disposal group and disposed of as part of the sale of Quilter International. The goodwill allocated to the Quilter International disposal group was determined by reference to the value-in-use of Quilter International as a proportion of the value-in-use of the Wealth Platforms operating segment to which it belonged at the point that held-for-sale accounting was first applied to the disposal group. The Group subsequently changed its operating segments as disclosed in note 3.

9: Goodwill and intangible assets *continued*

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

Impairment review

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

During the year ended 31 December 2021, management considers there to be no indicators of impairment for continuing operations across the Affluent and High Net Worth CGU groups. The impairment assessment was performed, using the latest cash flow forecasts from the Group's three-year business plan, approved by the Board. The Group's business plan takes into account the increase in equity markets experienced in 2021, which has resulted in an increase in the Group's AuMA and revenue.

The following table details the separate percentage change required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables remain the same. The table continues to demonstrate that further adverse movements to the key assumptions used in the CGU value-in-use calculation would be required before impairment is indicated.

	Affluent	High Net Worth
Reduction in forecast cash flows	72%	73%
Increase in discount rate required	53%	34%

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

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

Value-in-use methodology

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

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which incorporate anticipated equity market growth on the Group's future cash flows, and costs associated with incorporating climate-related risks within the Enterprise Risk Management Framework and climate-related financial disclosures. These cash flows change at different rates because of the different strategies of the CGUs.

In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecasts, the growth rate used to determine the terminal value of the CGUs in the annual assessment approximates to the UK long-term growth rate of 2% (2020: 0.6%). Market share and market growth information are also used to inform the expected volumes of future new business.

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

The Group uses a single cost of capital of 9.5% (2020: 9.0%) to discount future expected business plan cash flows across its two groups of CGUs because they are perceived to present a similar level of risk. Capital is provided to the Group predominantly by shareholders with a small amount of debt. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond and property lease holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2021

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).

	31 December 2021	31 December 2020
		£m
Government and government-guaranteed securities	**649**	632
Other debt securities, preference shares and debentures	**1,662**	1,952
Equity securities	**7,251**	14,163
Pooled investments	**38,002**	46,518
Short-term funds and securities treated as investments	**1**	9
Total financial investments	**47,565**	63,274
Recoverable within 12 months	**47,565**	63,274
Recoverable after 12 months	**-**	-
Total financial investments	**47,565**	63,274

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 2021

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

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

11: Categories of financial instruments *continued*

31 December 2020

Measurement basis	Fair value				£m
	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities	Total
Assets					
Investments in associated undertakings[1]	-	-	-	1	1
Loans and advances	186	-	33	-	219
Financial investments	63,248	1	25	-	63,274
Trade, other receivables and other assets	-	-	444	257	701
Derivative assets	43	-	-	-	43
Cash and cash equivalents	1,064	-	857	-	1,921
Total assets that include financial instruments	64,541	1	1,359	258	66,159
Total other non-financial assets	-	-	-	1,213	1,213
Total assets	64,541	1	1,359	1,471	67,372
Liabilities					
Investment contract liabilities	-	57,407	-	-	57,407
Third-party interests in consolidation of funds	6,513	-	-	-	6,513
Borrowings and lease liabilities	-	-	319	-	319
Trade, other payables and other liabilities	-	-	590	82	672
Derivative liabilities	20	-	-	-	20
Total liabilities that include financial instruments	6,533	57,407	909	82	64,931
Total other non-financial liabilities	-	-	-	563	563
Total liabilities	6,533	57,407	909	645	65,494

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

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 fair value hierarchy (see note 12(b)), prescribed under IFRS, provides an indication about 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 company shares or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements where available, or if more recent, financial statements for the fund or a statement of valuation provided by the management of the private company or fund.

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

Loans and advances

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

Financial investments

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

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

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

Derivatives

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

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 interest in consolidated funds

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

Borrowings and lease liabilities

Borrowings and lease liabilities are stated at amortised cost.

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

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

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

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

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 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 transfers of financial investments of £16 million from Level 1 to Level 2 during the year (31 December 2020: £9 million). There were transfers of financial investments of £85 million from Level 2 to Level 1 during the year (31 December 2020: £3 million). These movements are matched closely by transfers of investment contract liabilities. 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 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 (net of reinsurance). The difference between linked assets and linked liabilities is principally due to short-term timing differences between policyholder premiums being received and invested in advance of policies being issued, and tax liabilities within funds which are reflected within the Group's tax liabilities.

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

The following table presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification (see note 11 for full details).

Notes to the condensed consolidated financial statements

For the year ended 31 December 2021

12: Fair value methodology *continued*

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

	31 December 2021		31 December 2020	
	£m	**%**	£m	%
Financial assets measured at fair value				
Level 1	**41,996**	**86.0%**	56,927	88.2%
Level 2	**6,771**	**13.9%**	5,793	9.0%
Level 3	**27**	**0.1%**	1,822	2.8%
Total	**48,794**	**100.0%**	64,542	100.0%
Financial liabilities measured at fair value				
Level 1	**41,047**	**85.5%**	55,135	86.3%
Level 2	**6,913**	**14.4%**	6,985	10.9%
Level 3	**24**	**0.1%**	1,820	2.8%
Total	**47,984**	**100.0%**	63,940	100.0%

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 12(b):

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

				£m
31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	56,926	5,793	1,822	64,541
Loans and advances[1]	186	-	-	186
Financial investments	55,676	5,750	1,822	63,248
Cash and cash equivalents	1,064	-	-	1,064
Derivative assets	-	43	-	43
Designated (fair value through profit or loss)	1	-	-	1
Financial investments	1	-	-	1
Total assets measured at fair value	56,927	5,793	1,822	64,542
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	6,533	-	6,533
Third-party interests in consolidated funds	-	6,513	-	6,513
Derivative liabilities	-	20	-	20
Designated (fair value through profit or loss)	55,135	452	1,820	57,407
Investment contract liabilities	55,135	452	1,820	57,407
Total liabilities measured at fair value	55,135	6,985	1,820	63,940

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

12: Fair value methodology continued

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.

During the year ended 31 December 2021, Level 3 assets also include investments within consolidated funds to the value of £1 million (31 December 2020: £2 million) relating to private equity investments. The Group bears no risk from a change in the market value of these assets and any changes in market value are matched by a corresponding Level 2 liability within Third-party interests in consolidated funds.

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

		£m
	31 December 2021	31 December 2020[1]
At beginning of the year	**1,822**	1,717
Fair value losses charged to income statement	**(3)**	(121)
Purchases	**-**	16
Sales	**-**	(8)
Transfers in	**8**	930
Transfers out	**(393)**	(714)
Disposal of subsidiaries[2]	**(1,406)**	-
Foreign exchange and other movements	**(1)**	2
Total Level 3 financial assets	**27**	1,822
Unrealised fair value losses charged to income statement relating to assets held at the year end	**(4)**	(110)

[1]During the year ended 31 December 2020, Level 3 assets also included a shareholder investment in suspended funds of £2 million; this was not matched by a corresponding liability and therefore the changes in market value were recognised in the Group's consolidated income statement.
[2]During the year ended 31 December 2021, Level 3 assets decreased by £1,406 million following the sale of Quilter International to Utmost Group.

Transfers into Level 3 assets in the current year total £8 million (31 December 2020: £930 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 £393 million (31 December 2020: £714 million) result from a transfer to Level 1 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted.

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

		£m
	31 December 2021	31 December 2020
Pooled investments	**26**	522
Unlisted and stale price pooled investments	**1**	87
Suspended funds	**25**	435
Private equity investments	**1**	1,300
Total Level 3 financial assets	**27**	1,822

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

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

		£m
	31 December 2021	31 December 2020
At beginning of the year	**1,820**	1,717
Fair value losses charged to the income statement	**(3)**	(120)
Purchases	**-**	16
Sales	**-**	(8)
Transfers in	**5**	927
Transfers out	**(391)**	(714)
Disposal of subsidiaries	**(1,406)**	-
Foreign exchange and other movements	**(1)**	2
Total Level 3 financial liabilities	**24**	1,820
Unrealised fair value losses charged to the income statement relating to liabilities held at the year end	**(4)**	(110)

12: Fair value methodology *continued*

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

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

The majority of the Group's Level 3 assets at 31 December 2020 were held within private equity investments, where the valuation of these assets was performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment. For this reason, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (31 December 2020: 10%), representing a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £2 million to the reported fair value of Level 3 assets, both favourable and unfavourable (31 December 2020: £182 million). As described in note 12(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

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. Their classification within the fair value hierarchy would be as follows:

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

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

Fixed-term deposits, which are included within Financial investments, are held at amortised cost and therefore not carried at fair value. The fixed-term deposits that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

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

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

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

13: Cash and cash equivalents

13(a): Analysis of cash and cash equivalents

		£m
	31 December 2021	31 December 2020
Cash at bank	**559**	550
Money market funds	**1,216**	1,064
Cash and cash equivalents in consolidated funds	**289**	307
Total cash and cash equivalents per statement of financial position	**2,064**	1,921

The Group's management does not consider that the cash and cash equivalents balance arising due to consolidation of funds £289 million (2020: £307 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 £1,775 million (2020: £1,614 million) is considered to be available for use by the Group.

13: Cash and cash equivalents *continued*

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

	Notes	31 December 2021 £m	31 December 2020 £m
Cash flows from operating activities			
Profit before tax from continuing operations		**85**	9
Profit before tax from discontinued operations	4(c)	**131**	76
		216	85
Adjustments for			
Depreciation and impairment of property, plant and equipment		**16**	23
Movement on contract costs		**18**	44
Movement on contract liabilities and fee income receivable		**10**	(7)
Amortisation and impairment of intangibles	9	**47**	47
Fair value and other movements in financial assets		**(5,102)**	(3,319)
Fair value movements in investment contract liabilities	15	**4,467**	2,632
Other change in investment contract liabilities		**3,454**	2,187
(Profit)/loss on sale of subsidiaries	4(a)	**(91)**	1
Other movements		**32**	40
		2,851	1,648
Net changes in working capital			
Decrease/(increase) in derivatives		**24**	(11)
Decrease/(increase) in loans and advances		**15**	(5)
Increase in provisions	16	**17**	1
Movement in other assets/liabilities[1]		**(20)**	(245)
		36	(260)
Taxation paid		**(10)**	(28)
Net cash flows from operating activities		**3,093**	1,445

[1]Working capital changes in respect of other assets and liabilities primarily relate to consolidated funds.

14: Share capital, capital redemption reserve and merger reserve

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. At 31 December 2021, the Parent Company's equity capital comprises 1,655,827,217 Ordinary Shares of 7 pence each with an aggregated nominal value of £115,907,905 (31 December 2020: 1,783,969,051 Ordinary Shares of 7 pence each with an aggregated nominal value of £124,877,834).

This note gives details of the Company's Ordinary Share capital, shows the movements during the year and gives details of the release of £124 million of the merger reserve:

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2020	1,902,251,098	133	58
Shares cancelled through share buyback programme	(118,282,047)	(8)	
At 31 December 2020	1,783,969,051	125	58
Shares cancelled through share buyback programme	(128,141,834)	(9)	
At 31 December 2021	**1,655,827,217**	**116**	**58**

14(a): Share capital

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

During the year ended 31 December 2021, the Company acquired the committed remainder from 2020 and, as part of tranches 3 and 4 of the share buyback, a further 128.1 million shares (31 December 2020: 118.3 million) for a total consideration of £197 million (31 December 2020: £153 million) and incurred additional costs of £3 million (31 December 2020: £4 million). The shares, which had a nominal value of £9 million (31 December 2020: £8 million), have subsequently been cancelled, increasing the capital redemption reserve of the same value as required by the Companies Act 2006. At 31 December 2021, the committed remaining share buyback for which a legally binding instruction had been provided by the Board, of £26 million (31 December 2020: £22 million) was accrued as a liability against retained earnings.

There is one class of Ordinary Share of 7 pence each. All share 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.

14(b): Merger reserve

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

15: Investment contract liabilities

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

		£m
	2021	2020
Carrying amount at 1 January	**57,407**	52,455
From continuing operations		
Fair value movements	2,821	1,760
Investment income	472	512
Movements arising from investment return	3,293	2,272
From discontinued operations		
Fair value movements	1,646	872
Investment income	172	184
Movements arising from investment return	1,818	1,056
Contributions received	6,837	4,871
Maturities	(406)	(97)
Withdrawals and surrenders	(3,460)	(3,226)
Claims and benefits	(162)	(59)
Other movements	1	2
Change in liability	7,921	4,819
Currency translation (gain)/loss	(199)	133
Disposal of subsidiaries	(24,058)	-
Investment contract liabilities at 31 December	**41,071**	57,407

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.

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

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

					£m
31 December 2020	Compensation provisions	Sale of subsidiaries[3]	Property provisions	Clawback and other provisions	Total
Balance at beginning of the year	31	16	-	17	64
Additions from business combinations	12	-	-	-	12
Charge to income statement[1]	10	-	-	1	11
Utilised during the year	(5)	(4)	-	(4)	(13)
Unused amounts reversed	(6)	(2)	-	(3)	(11)
Reclassification within statement of financial position	-	-	-	14	14
Balance at 31 December 2020	42	10	-	25	77

[1]Part of the charge to income statement is included within the discontinued operations income statement.
[2]Property provisions related to dilapidations and other provisions related to historical licence agreements have been reclassified during the year from lease liabilities and accruals respectively reflecting the uncertainty of the amounts to be settled. During 2020, the Clawback provision was reclassified, with the liability due to product providers on indemnity commission disclosed within provisions and the recoverable amount from brokers disclosed within receivables.
[3]Sale of subsidiaries in the year ended 31 December 2020 was previously split between provisions related to the sale of QLA (balance of £3 million) and the sale of the Single Strategy business (balance of £7 million).

16: Provisions *continued*

Compensation provisions

Compensation provisions total £41 million (31 December 2020: £42 million), and are comprised of the following:

Lighthouse pension transfer advice provision of £29 million (31 December 2020: £28 million)

Lighthouse pension transfer advice provided to British Steel members of £21 million (31 December 2020: £28 million)

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

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

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person to review the DB to DC pension transfers that Lighthouse advisers advised on in the period up to Lighthouse transitioning to Quilter's systems and controls following Quilter's acquisition of Lighthouse. A skilled person was appointed, and during 2020 they performed initial provisional calculations for a significant portion of the British Steel Pension Scheme complaints received by Lighthouse where the advice given to customers was assessed as being unsuitable to obtain an indication of how much redress (if any) may be payable to these customers to the extent that they sustained losses as a result of that unsuitable advice. The methodology employed to perform these initial provisional redress calculations uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers". The provisional redress amounts calculated on the complaints were extrapolated to the entire population of 266 British Steel Pension Scheme transfers on which Lighthouse advisers provided advice and the relevant customers proceeded to make a transfer, in order to determine an approximation of the estimated redress that may be payable to customers who are found to have received unsuitable advice which caused them to sustain losses. The provision was determined by (a) subdividing the population into cohorts with similar characteristics, including the results in 2020 of the skilled person's assessment of the number of cases where unsuitable advice was given, and also (b) dividing the population into transfers pre and post June 2017 when the Trustees of the British Steel Pension Scheme changed the basis on which transfer values were calculated. The timing of any benefits withdrawn by the member after the transfer also has an impact upon the provisional redress amounts calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined for each cohort and extrapolated to the population of cases assessed as unsuitable where advice was provided and acted upon through Lighthouse.

During 2021, a loss assessment and redress calculation methodology has been designed by the skilled person following discussions and in collaboration with the FCA, to ensure consistency and compliance with the FCA's Final Guidance 17/9, which is being used to calculate redress offers for those cases where the skilled person determines that a customer received unsuitable defined benefit pension transfer advice which caused them to sustain losses. At 31 December 2021, offers relating to the majority of the provision balance have been made to customers and, subject to FCA confirmation, we expect the skilled person review to be completed during 2022. The majority of suitability reviews were completed by the skilled person during the year. The provision has been updated at 31 December 2021 reflecting the outcome of the suitability review on a case-by-case basis, redress calculations performed by the skilled person using the redress calculation methodology and the offers made to customers who received unsuitable advice which caused them to sustain a loss.

A total provision of £21 million (31 December 2020: £28 million) has been calculated for the potential redress of British Steel Pension Scheme cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision of £19 million, comprised of £23 million (31 December 2020: £25 million) redress payable, less payments made to customers of £4 million during 2021,
(b) Anticipated costs associated with redress activity of £2 million (31 December 2020: £3 million), comprised of £4 million costs payable, less payments made of £2 million during the year. This provision is recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice provided of a similar nature in relation to cases that the Group believes may have similar characteristics. The costs do not include any potential regulatory fines or penalties as a result of the unsuitable advice.

The £3 million insurance recoverable that was included in the fair value of the acquired net assets of Lighthouse has not changed. Discussion with insurers is ongoing, insurers have not confirmed coverage and the Group will review the recoverable amount as and when they receive further certainty, which is not expected until after the completion of the skilled person review. The insurance asset at 31 December 2021 is disclosed within "Trade, other receivables and other assets".

The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which will be calculated per the detailed redress methodology designed by the skilled person following discussions and in collaboration with the FCA and also impacted by market movements and other parameters affecting the defined contribution scheme asset, and is therefore exposed to volatility from this, and may vary from the amounts currently provided.

The key assumptions which have an impact upon the redress payable calculation are the discount rate and changes in market levels. For the purpose of the redress calculation, changes in the discount rate impact the valuation of the defined benefit ("DB") scheme at the reporting date, and market level changes impact the valuation of the personal pension scheme for each client.

At the date of signing the financial statements, a redress calculation has been performed for the majority of customers who have had an assessment of unsuitable pension transfer advice, leading to greater certainty over the range of the provision balance and therefore provision sensitivity for changes in assumptions has not been disclosed. The range of outcomes for the remaining provision, including anticipated costs, varies from £19 million (decrease of £2 million) to £22 million (increase of £1 million), with full settlement of payments expected to be completed during 2022.

Lighthouse pension transfer advice provided to members of other schemes of £8 million (31 December 2020: £nil)

During 2021, the skilled person review has identified unsuitable DB to DC pension advice provided by Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The majority of the suitability assessments for cases currently identified as being in scope have been completed. Using provisional calculations of redress for similar cases where customers had sustained losses a factor was determined representing average redress as a proportion of average pension transfer value. The factor was used to estimate a provision of £8 million for the unsuitable cases, which has been recognised at 31 December 2021. If the factor was to increase or decrease by 10%, the impact upon the provision would be £2 million. Payments are expected to be completed during 2022.

16: Provisions *continued*

Compensation provisions (other) of £12 million (31 December 2020: £14 million)

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

A provision of £6 million, included within the balance, has been recognised during 2021 relating to potentially unsuitable pension advice provided by advisers including advice provided prior to Quilter's acquisition of the relevant advice businesses. Of this balance, £2 million has been recognised for potentially unsuitable pension advice provided to British Steel Pension Scheme members by Quilter Financial Planning firms other than Lighthouse, following the receipt of a "Dear CEO" letter from the FCA in December 2021 outlining their consideration of an industry-wide consumer redress scheme for British Steel Pension Scheme pension transfers between 1 March 2017 and 31 March 2018. These British Steel Pension Scheme cases have yet to be reviewed for suitability and an estimate of the provision has been made based upon experience of the Lighthouse skilled person review.

An indemnification asset of £2 million relating to a certain portion of the potentially unsuitable advice has been recognised within "Trade, other receivables and other assets" representing the amount receivable from the sellers under the terms of the sale agreement.

During the year, compensation provisions of £2 million within Quilter International were disposed of as a result of the sale of the business.

The Group estimates a reasonably possible change of +/- £3 million from the £12 million balance, based upon a review of the cases and the range of potential outcomes for the customer redress payments.

Sale of subsidiaries

Sale of subsidiaries provisions total £22 million (31 December 2020: £10 million), and are comprised of the following:

Provisions arising on the disposal of Quilter International of £16 million (31 December 2020: £nil)

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, and contracts facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the time required for incremental resource costs to achieve the separation, which is expected to occur over a two-year period.

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

During the year £1 million of the provision has been utilised.

Provisions arising on the disposal of Quilter Life Assurance of £1 million (31 December 2020: £3 million)

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

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

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

During the year £2 million of the provision has been utilised. The remaining provision is expected to be utilised during 2022, as the final costs to close the project are paid.

Sale of Single Strategy Asset Management business provision of £4 million (31 December 2020: £7 million)

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business (now known as Jupiter Investment Management ('Jupiter')) to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale-related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. The balance has decreased to £4 million during 2021 as a result of the settlement of £2 million related to the 2020 measurement year and £1 million reversed for the latest estimate for the 2022 measurement year.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in the relevant Jupiter funds, leading to a reduction in the management fees paid to Jupiter. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows to December 2022 and the latest information received from Jupiter. Per the conditions of the sale agreement, the maximum remaining potential exposure is £14 million for the 2022 calendar year. The expected range of payments based upon the latest information received from Jupiter and the Group's reasonable expectations of AUM invested within Jupiter funds during the 2022 assessment period is between £2 million and £8 million.

The £4 million provision outstanding is estimated to be payable after one year, with expected final settlement due in the first half of 2023.

16: Provisions *continued*

Property provisions

Property provisions represent the discounted value of expected future costs of reinstating leased property to its original condition at the end of the lease term. During 2021, management reviewed the Group's property provisions and the assumptions on which these provisions are based. The review included consideration of external advice on potential future costs, in order to determine a reasonable estimate of the amount to be recognised. The estimate is based upon property location, size of property and an estimate of the charge per square foot. Property provisions are utilised or released when the reinstatement obligations have been fulfilled. The associated asset for property provisions is included within "Property, plant and equipment".

Of the £9 million provision outstanding, £1 million is estimated to be payable within one year. The majority of the balance relates to leased property which has a lease term maturity of more than five years.

Clawback and other provisions

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

Included within the balance in 2021 is £16 million (31 December 2020: £18 million) of clawback provisions in respect of potential refunds due to product providers on indemnity commission within the Quilter Financial Planning business. This provision, which is estimated and charged as a reduction of revenue on the income statement at the point of sale of each policy, is based upon assumptions determined from historical experience of the proportion of policyholders cancelling their policies, which requires Quilter to refund a portion of commission previously received. Reductions to the provision result from the payment of cash to product providers as refunds or the recognition of revenue where a portion is assessed as no longer payable. The provision has been assessed at the reporting date and adjusted for the latest cancellation information available. At 31 December 2021, an associated balance of £9 million recoverable from brokers is included within "Trade, other receivables and other assets" (31 December 2020: £13 million).

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

Of the total £21 million provision outstanding, £13 million is estimated to be payable within one year (2020: £13 million).

17: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 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 in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Contingent liabilities – acquisitions and disposals

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.

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

The review covers British Steel Pension Scheme DB to DC pension transfer advice activity undertaken by Lighthouse advisers, and a representative sample of other Lighthouse DB to DC pension transfer advice activity in the relevant period. The skilled person also calculates redress, using a redress methodology that the skilled person has designed following discussions and in collaboration with the FCA, and to ensure consistency with the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers*" guidance for those cases where the skilled person determines that a customer received unsuitable DB to DC pension transfer advice which led to the customer sustaining losses. Until the skilled person review has finalised, uncertainty exists as to the value of total redress which will be payable and a reliable estimate of all amounts cannot be determined. Subject to FCA confirmation, we expect the skilled person review to be completed during 2022.

For the British Steel Pension Scheme cases, and a portion of the other cases reviewed by the skilled person, the Group currently considers that the likelihood of redress is probable on a proportion of the cases, but this is subject to confirmation through the ongoing skilled person review process. An estimate of the amount of redress payable has been made and is included within Provisions in note 16.

It is possible that further material costs of redress may be incurred in relation to the skilled person review, as well as customer redress for other potential unsuitable pension transfer advice cases.

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

Tax

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

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

17: Contingent liabilities *continued*

Complaints, disputes and regulations

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals. The Group does from time to time receive complaints and claims from customers, enters into commercial disputes with service providers, and is subject to regulatory discussions and reviews in the normal course of business. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established under IAS 37.

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 regulatory requirements in all businesses in the Group.

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 £1,739 million (31 December 2020: £1,878 million) and subordinated debt which was issued at £200 million in February 2018. 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 PRA. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

The Group's insurance undertakings are 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 £1,030 million at 31 December 2021 (31 December 2020: £1,021 million), representing a Solvency II ratio of 275% (31 December 2020: 217%) calculated under the standard formula. The Solvency II regulatory position for the year ended 31 December 2021 allows for the impact of the recommended final dividend payment of £62 million (31 December 2020: £61 million). This disclosure includes the capital movements associated with the sale of Quilter International and the £200 million share buyback (Tranches 3 and 4).

The Solvency II results for the year ended 31 December 2021 (unaudited estimate) and 31 December 2020 were as follows:

		£m
	31 December 2021[1]	31 December 2020[2]
Own funds	**1,617**	1,897
Solvency capital requirement (SCR)	**587**	876
Solvency II surplus	**1,030**	1,021
Solvency II coverage ratio	**275%**	217%

[1]Filing of annual regulatory reporting forms due by 20 May 2022.
[2]As represented within the Group Solvency and Financial Condition Report for the year ended 31 December 2020.

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 2021**	31 December 2020
Tier 1[1]	**1,412**	1,688
Tier 2[2]	**205**	209
Total Group Solvency II own funds	**1,617**	1,897

[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 February 2018.

The Group's insurance subsidiary based in the UK 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 jurisdictions 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.

The solvency and capital requirements for the Group and its regulated subsidiaries are reported and monitored through regular Capital Management Forum meetings. Throughout 2021, the Group has complied with the regulatory capital 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): Capital management *continued*

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 2021	31 December 2020
Total external borrowings of the Company	**199**	199
Less: cash and cash equivalents of the Company	**(503)**	(314)
Total net external borrowings of the Company	**(304)**	(115)
Total shareholders' equity of the Group	**1,739**	1,878
Tier 2 bond	**199**	199
Total Group equity (including Tier 2 bond)	**1,938**	2,077
Ratio of Company net external borrowings to Group equity	**-0.157**	-0.055

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

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

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 and 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 ICAAP process is similar to the ORSA process although the ICAAP process is performed for a subset of the Group consisting of the investment and advisory firms within the Group (the "ICAAP Group"). The Group ICAAP report is also produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the ICAAP Group. The ICAAP report is submitted to the FCA 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 ICAAP Group outside the usual reporting cycle. Due to the implementation of the Investment Firms Prudential Regime on 1 January 2022, the ICAAP process will be replaced by the Internal Capital Adequacy and Risk Assessment (ICARA) process in 2022.

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

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, Credit Risk Standard and Credit Risk Appetite Statement. This framework applies to all activities where the shareholder 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 through ensuring 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 firm has in respect of the exposures; and
- any second order risks that may arise where the firm has collateral against the credit risk exposure.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2021, 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 European sovereign debt (outside of the UK) 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.

18(b): Credit risk *continued*

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 financial statements.

Loans and advances subject to 12-month expected credit losses ("12-month ECL") are £29 million (31 December 2020: £31 million) and other receivables subject to lifetime expected credit losses ("lifetime ECL") are £252 million (31 December 2020: £525 million). These balances are not rated; they 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 that are neither past due nor impaired						
31 December 2021	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Not rated[1]**	**Carrying value**
Cash at amortised cost, subject to 12-month ECL	**-**	**105**	**451**	**-**	**3**	**289**	**848**
Money market funds at FVTPL	**1,216**	**-**	**-**	**-**	**-**	**-**	**1,216**
Total cash and cash equivalents	**1,216**	**105**	**451**	**-**	**3**	**289**	**2,064**

							£m
	Credit rating relating to cash and cash equivalents that are neither past due nor impaired						
31 December 2020	AAA	AA	A	BBB	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12-month ECL	-	81	464	1	4	307	857
Money market funds at FVTPL	1,062	-	-	-	2	-	1,064
Total cash and cash equivalents	1,062	81	464	1	6	307	1,921

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

Impairment allowance

Assets that are measured and classified at amortised cost are monitored for any expected credit loss ("ECL") 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 2020	(1.2)
Reduction due to reassessment of broker loans impairment modelling	0.4
31 December 2020	(0.8)
Change due to change in counterparty balance	(0.4)
31 December 2021	**(1.2)**

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 risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held. The Group recognises that climate change and other environmental risks can contribute to market risk.

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 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 and property price risk

In accordance with the market risk policy, the Group does not generally invest shareholder assets in equity or property, 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 unit-linked funds at the time when these funds are launched. The seed capital is then withdrawn from the funds as policyholders invest in the funds.

18(c): Market risk *continued*

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 and adviser fund-based renewal commissions) which are linked to the performance of the underlying assets. Therefore, future earnings will be affected by equity and property market performance.

Equity and property price sensitivity testing

A movement in equity and property prices would impact the fee income that is based on the market value of the investments held for the policyholders. The sensitivity is applied as an instantaneous shock to equity and property prices 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 shareholders' equity	**31 December 2021**	31 December 2020
Impact of 10% increase in equity and property prices	**34**	32
Impact of 10% decrease in equity and property prices	**(34)**	(32)

18(c)(ii): Interest rate risk

Interest rate risk arises primarily from bank balances held with financial institutions. A small amount of the Group's assets is held in fixed interest UK Government bonds, which are exposed to fluctuations in interest rates.

Fixed interest UK Government bonds are mainly held to match liabilities by duration and so the exposure to interest rate risk is not material.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within unit-linked 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 unit-linked funds. It would also reduce the interest rate earned on bank balances and could potentially result in the Group incurring interest charges on these balances, if interest rates become negative.

Exposure of the IFRS income statement and statement of financial position to interest rates are summarised below.

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 shareholders' equity	**Year ended 31 December 2021**	Year ended 31 December 2020
Impact of 1% increase in interest rates	**11**	16
Impact of 1% decrease in interest rates	**-**	(8)

18(c)(iii): Currency translation risk

Currency 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 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 2021, the Group had minor exposures to foreign exchange risk in respect to accounts receivable and future revenues denominated in US Dollars, Euros and Swedish Krona through its international 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, Group Liquidity Risk Standard 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 liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

Throughout the ongoing COVID-19 pandemic Quilter plc and its subsidiaries have operated above their individual liquidity targets and there were no material liquidity stresses identified over this period to include in the liquidity monitoring process. Daily liquidity monitoring continues across the Group to enable timely identification of any emerging issues.

18(d): Liquidity risk *continued*

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of liquidity stresses that are greater than their risk appetite. 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 minimum liquidity requirements. 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 represents a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception or through the period of the COVID-19 pandemic. The Group has exercised the option to extend the facility for a further two-year period, to February 2025, 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.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

18(e): Insurance risk

18(e)(i): Overview

Group entities assume insurance risk by providing:

- life investment bonds, which provide a small amount of life insurance cover in the event of the death of the life assured; and
- professional indemnity insurance cover to Quilter Financial Planning Limited via a captive insurer domiciled in the Isle of Man.

Insurance risk arises through exposure to variable claims experience on life assurance and professional indemnity insurance, exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses, mortality and professional indemnity claim rates, relative to the actuarial assumptions made in the pricing process, may result in profit margins reducing below the target levels included in the pricing process.

The Group has implemented an insurance risk policy which sets out the Group's requirements for the management, measurement, monitoring and reporting of insurance risks. The Group has implemented the Technical Provisions Standard to support the insurance risk policy.

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.

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on insurance policies occur at levels that are different to the levels assumed in the determination of technical provisions. Persistency statistics are monitored quarterly 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.

18(e)(ii): Sensitivity analysis

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2021 and 31 December 2020. 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. 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 £6 million after tax (2020: £11 million).

Mortality

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

18(f): Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of administration processes, IT and Information Security maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contracts with third parties), poorly managed responses to regulatory change, change and physical and transitional financial risks from climate change, risks relating to the relationship with third-party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

18(f): Operational risk *continued*

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 this 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 and 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 2021 Annual report. The Group's interest in subsidiaries and related undertakings are set out in Appendix B of the financial statements within the Group's 2021 Annual report.

20: Events after the reporting date

On 9 March 2022, the Group announced a proposed capital return of £328 million to the shareholders of Quilter plc by way of a B share scheme. The proposals will require regulatory engagement and shareholder approval at the General Meeting to be held on 12 May 2022. To maintain comparability of shareholder metrics before and after the capital return, it is further proposed that the scheme will be accompanied by a share consolidation. Further information on the proposed capital return is contained in the Financial review within the Strategic Report. The Group will provide full details of the proposed B share issue and ordinary share consolidation in the Circular and Notice of General Meeting that will be posted to shareholders in early April 2022. Assuming these proposals are duly approved, the capital return is expected to conclude by the end of June 2022. The proposed capital return would reduce the Group's IFRS net assets and Solvency II own funds by £328 million and would reduce the Group's Solvency II coverage ratio from 275% to 220%. Further information on the Group's capital position on a Solvency II basis is presented in note 18(a).